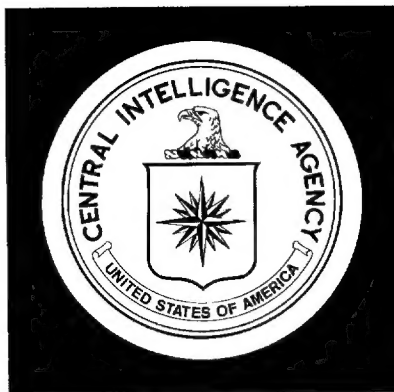


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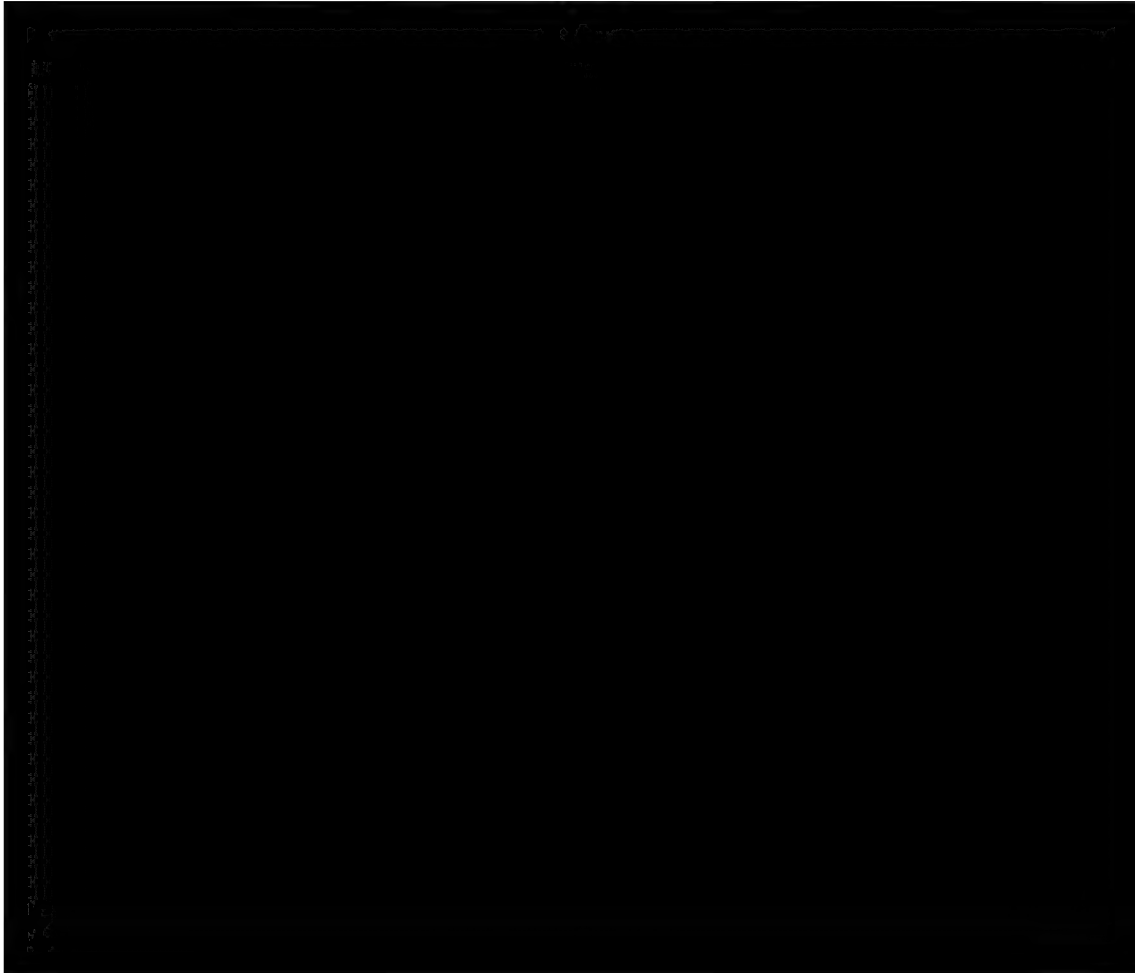
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ITALY: UNION POWER AND WAGE GROWTH UNDERLIE ECONOMIC DIFFICULTIES*

One of Italy's most significant economic problems is a real wage level incompatible with full employment, balance-of-payments equilibrium, and price stability. Since the late 1960s, Italian unions have won big pay gains, nailed them down through indexing, and supplemented them with perquisites and expanded social insurance benefits.

*This article summarizes an Intelligence Memorandum to be published shortly.

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Prime Minister Andreotti's current economic program does not come to grips with the problem of excessive wages, and political realities suggest that future governments also will be unable to buck the unions on this issue. Instead, Rome will continue to choke off demand to contain balance-of-payments deficits and curb inflation, meanwhile deploring the side effects of slow growth, high unemployment, and a shift of industrial activity into unregulated "black market" channels.

Background

During the 1950s and 1960s, Italy experienced an "economic miracle," posting rates of real GDP growth among the highest and most stable in the world. Low wages led to large profits, which both induced and financed heavy investment. Investment raised productivity and generated more profits, perpetuating the process. Rapid expansion of the export market—propelled by growth of neighboring economies, favorable exchange rates, and European economic integration—assured ample demand for the swelling stream of products. The system was self-perpetuating so long as wages rose no faster than labor productivity and the international situation remained expansionary. An ample pool of labor in the backward south and the preoccupation of union leaders with political maneuvers and interunion rivalries kept wage growth relatively low until the late 1960s.

Italy: GDP Growth Rates

<u>Annual Average Rate (Percent)</u>	
1951-55	5.2
1956-60	5.4
1961-65	5.1
1966-70	5.9
1971-76	2.9

The death knell of the economic miracle was sounded in 1969, when the rank-and-file union membership initiated widespread work disruptions to back up stiff demands. Subsequently, organized labor has used its bargaining power to push up wage rates rapidly. Concurrently, on the legislative front, labor has won big increases in social insurance and other benefits. Rising wages and social insurance taxes have cut deeply into the profits of business firms, weakening both the incentive for investment and the ability to finance capital projects. Soaring prices have undermined the lira and spawned stop-go government policies aimed at containing balance-of-payments problems.

Union Accomplishments

Thanks largely to union pressure, real industrial wages have climbed 77 percent since 1970, the steepest rise in Western Europe. Social insurance taxes and fringe benefits add another lira to every lira paid in wages. Unit labor costs (in national currency units) are rising faster than in any other major country. Sharp depreciation of the lira has been required to maintain international competitiveness.

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Labor has protected its pay gains through contract clauses tying wage rates to the consumer price index. Whereas indexation originally protected workers from inflation originating in Italian monetary and fiscal policies, in recent years it has insulated workers from increases in the world prices of oil, raw materials, and grain. This in turn has thrown the adjustment burden for the entire Italian economy disproportionately onto owners of capital, discouraging investment. At the same time, indexation has lessened the effectiveness of indirect taxes and currency devaluation as adjustment mechanisms. When a negotiated wage increase, a boost in indirect taxes, or a currency devaluation pushes up consumer prices, the indexation machinery triggers an increase in wage rates that pushes up prices again and frustrates the adjustment process. Indexation now accounts for a greater portion of wage increases than does direct wage bargaining.

Union labor enjoys almost complete immunity against cyclical swings in demand. Under terms of a crucial bargain struck in early 1975, management guarantees certain temporarily laid-off and short-time workers 90 percent of their usual wages for at least a year. Long before 1975, unions had become effective in protecting their members against outright dismissal.

Workers also have the protection of extensive legal guarantees and the most generous social insurance benefits in the European Community. A legislated "workers' charter" limits managerial control over employees, preventing managers, for example, from demanding that workers who claim sick leave present evidence of illness. The charter also assures unions the checkoff privilege, the right to conduct assemblies during business hours, and the right to rent-free offices at work sites.

Some Negative Results

Growth of labor productivity has slowed in the 1970s under the impact of strikes, absenteeism, and labor immobility. Italy leads the major industrial countries in time lost through strikes. Moreover, many stoppages are carefully orchestrated to minimize worktime lost while maximizing the disruption of production. Numerous strikes have been aimed at social or political objectives far outside the control of individual firms or industries.

Absenteeism now averages more than twice the rate prevailing in the United States or France, thanks largely to the protection provided by the workers' charter. Labor has become less mobile, with unions resisting shifts in work assignments as well as geographical transfers.

Officially reported employment in industry has slumped in recent years and become limited more and more to males between the ages of 30 and 50. Growing numbers of older men, youths, and women have been forced to seek illicit employment as (a) temporary pieceworkers on subcontracts or (b) employees of

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firms small enough to evade union wage scales or even the statutory minimum wage and social insurance taxes. The drying up of job opportunities abroad and a reversal of the secular decline in labor participation rates have contributed to growth of this "black market," with its often harsh working conditions.

Prospects

Prime Minister Andreotti's economic program does not get at the fundamental problem of the labor market—a level of real wages that Italy's economy cannot support. The program centers on austerity measures designed to weaken aggregate demand. It will temporarily slow price inflation and wage increases; it will not reduce union power or significantly alter the troublesome system of wage indexation.

Andreotti's program will reduce the current account deficit from \$1.7 billion in 1976 to near zero this year, while slowing consumer price inflation from 22 percent in the 12 months to December 1976 to about 13 to 14 percent over the course of this year. Real GDP will increase only about 2.4 percent in 1977. Unemployment stands at 6.6 percent of the labor force and is expected to rise.

Given high wages and their balance-of-payments implications, future growth of production will likely continue more slowly and less steadily than in the 1950s and 1960s. Annual real industrial investment, which rose at an average clip of 6.4 percent in 1960-70, presently stands below the 1970 level. The small amount of investment being undertaken is aimed primarily at cutting the wage bill by substituting capital for labor. High wages will continue to:

- Discourage employment-expanding investment in the modern sector and limit internal financing capability.
- Lead to stop-go policies that also will reduce the willingness of firms to expand.
- Channel a growing share of production to the small, less modern enterprises in which wages are more responsive to supply and demand.

The sensitivity of the wage question and the political muscle of organized labor militate strongly against reduction of real union wage rates. Hence, Rome will continue to lean toward demand restraint despite its negative side effects. (Confidential)

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NON-OPEC LDCs: CURRENT ACCOUNTS IMPROVE, IMPORTS STILL CONSTRAINED*

We expect that the non-OPEC LDCs will show a current account deficit for 1977 at the low end of a range of \$23 billion to \$26 billion. If—as now appears likely—they persist in braking imports, this would mean an improvement of roughly \$2 billion over their 1976 performance.

Non-OPEC LDCs: Current Account ¹

		Billion US \$			
		1977 ²		1978 ³	
		Continued Import Restraint ⁴	Relaxed Import Restraint ⁵	Continued Import Restraint ⁴	Relaxed Import Restraint ⁵
Trade Balance	1976				
	-16	-13	-16	-11	-18
Exports (f.o.b.)	109	122	122	137	137
Imports (f.o.b.)	125	135	138	148	155
Services, net	-13	-15	-15	-16	-17
Investment income, net	-8.0	-9.6	-9.6	-11.0	-10.6
Other services, net	-5.0	-5.4	-5.7	-5.5	-6.4
Balance on goods & services	-29	-28	-31	-27	-35
Private transfers, net	4.5	5.0	5.0	5.6	5.6
Current account balance	-25 ⁶	-23	-26	-21	-29

¹ This table accompanied the opening article in the international financial series on non-OPEC LDCs.

² Estimated.

³ Projected.

⁴ Option 1.

⁵ Option 2.

⁶ Includes \$3 billion in technical assistance services provided by developed countries and not reported by LDCs.

So far this year, the non-OPEC LDCs have achieved sharp growth in exports, accompanied by only moderate increases in imports. As a result, the foreign exchange reserves of the group continued to grow through the first half, after having recovered substantially in 1976. Price breaks in several key commodities are taking the bloom off export gains; at the same time import prices are expected to grow at a slower pace toward yearend.

The non-OPEC LDCs have been slow to use their enlarged foreign exchange reserves to stimulate more rapid growth. In several instances, this hesitance reflects

*This article is the last in a series on the international payments prospects and policies of the non-OPEC LDCs. Following a general introductory article, 12 articles described the international financial position of individual LDCs—[redacted] the Philippines, South Korea, Argentina, Brazil, Taiwan, Peru, Jamaica, Zaire, Chile, Egypt, and India.

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the internal realignments that inevitably follow massive foreign borrowing and chronic domestic inflation. For all members of the group, the present caution is also induced by uncertainty over the pace and strength of economic recovery in the industrial nations. As usual, individual LDCs are suffering from internal political problems, poor economic management, or depressed exports that have caused their payments positions to move against the broad pattern of improvement.

Trade Patterns

The most important element in the current account improvement is the continued restraint most developing countries have imposed on imports. Imports by non-OPEC LDCs for first half 1977 were only 11 to 12 percent above those of first half 1976. Most of the increase derived from higher prices for fuel and manufactured goods. In volume terms, imports rose only 1 to 2 percent, as governments continued a variety of commercial, monetary, and fiscal policies designed to dampen overseas purchases. Political pressures have spurred growth and imports have begun to mount in the second half, as import prices grow less rapidly and exchange reserves continue to pile up.

Exports by non-OPEC LDCs moved strongly in early 1977, but recent price breaks in a number of key commodities are trimming growth rates in the second half. In the first half, a sample of 40 countries showed total export value up about 20 percent over the same 1976 period. The best performers were the coffee exporters; many noncoffee nations—notably the East Asian exporters of manufactures—also did particularly well.

Sharp declines in such important lines as coffee, soybeans, copper, and cotton are eroding the earnings of many of the early winners. For example, Brazil's export growth is losing momentum, as lower coffee earnings are accompanied by declines in soybean prices. LDC exports in second half 1977 accordingly will increase only about 5 percent above those of second half 1976. On balance, the export value increase for the year should be about 10 to 12 percent.

International Financial Indicators

Reserves of the non-OPEC LDCs rose \$4 billion by June over those of yearend 1976.* The overall ratio of reserves to imports continued to rise even though it had exceeded the equivalent of three months' imports at the end of 1976. LDC borrowing on private capital markets, after a sharp gain late last year that helped restore reserves, subsided in first half 1977. Gross medium- and long-term borrowing by the group on Eurocurrency markets dropped to an annual rate of less than \$8.5

*The reserve increase was not evenly distributed among all the LDCs. India accounted for nearly \$1.5 billion of the increment, while other major countries—Brazil and Taiwan, for example—suffered moderate declines in their positions.

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Non-OPEC LDCs: International Reserves of Selected Countries ¹

Country	1973	1975	1976	1977	
				1st Quarter	2d Quarter
EIW Financial Series Countries					
Argentina					
Reserves (Million US \$)	1,318	452	1,608	1,705	1,978
Reserve/Import Ratio	0.433	0.093	0.399		
Brazil					
Reserves (Million US \$)	6,415	4,035	6,541	5,863	5,791
Reserve/Import Ratio	0.725	0.243	0.376		
Chile					
Reserves (Million US \$)	178	109	454	497	554
Reserve/Import Ratio	0.104	0.047	0.199		
Egypt					
Reserves (Million US \$)	363	294	339	387	554
Reserve/Import Ratio	0.183	0.057	0.066		
India					
Reserves (Million US \$)	1,142	1,373	3,074	3,747	4,559
Reserve/Import Ratio	0.277	0.205	NA		
Jamaica					
Reserves (Million US \$)	127	126	1,255	59	57
Reserve/Import Ratio	0.138	0.088	0.026		
Mexico					
Reserves (Million US \$)	1,355	1,533	1,501	NA	NA
Reserve/Import Ratio	0.214	0.144	0.141		
Peru					
Reserves (Million US \$)	568	467	330	352	344
Reserve/Import Ratio	0.340	0.141	0.110		
Philippines					
Reserves (Million US \$)	1,038	1,358	1,640	1,391	1,531
Reserve/Import Ratio	0.470	0.308	0.344		
South Korea					
Reserves (Million US \$)	1,094	1,550	2,960	3,212	3,502
Reserve/Import Ratio	0.236	0.194	0.298		
Taiwan					
Reserves (Million US \$)	1,124	1,169	1,607	1,349	1,411
Reserve/Import Ratio	0.25	0.170	0.182		
Zaire					
Reserves (Million US \$)	235	59	105	43	93
Reserve/Import Ratio	0.163	0.035			
Other Latin American Countries					
Bolivia					
Reserves (Million US \$)	72	156	168	196	187
Reserve/Import Ratio	0.212	0.221	0.217		
Colombia					
Reserves (Million US \$)	534	521	1,158	1,454	1,644
Reserve/Import Ratio	0.318	0.220	0.434		
Costa Rica					
Reserves (Million US \$)	51	51	98	141	213
Reserve/Import Ratio	0.094	0.062	0.105		

¹ Import data include merchandise and services. All data are as of the end of the period.

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Non-OPEC LDCs: International Reserves of Selected Countries¹ (Cont.)

Country	1973	1975	1976	1977	
				1st Quarter	2d Quarter
Dominican Republic					
Reserves (Million US \$)	88	116	127	92	102
Reserve/Import Ratio	0.065	0.105	NA		
El Salvador					
Reserves (Million US \$)	62	127	205	341	408
Reserve/Import Ratio	0.134	0.176	0.242		
Guatemala					
Reserves (Million US \$)	212	304	511	678	729
Reserve/Import Ratio	0.368	0.323	0.417		
Honduras					
Reserves (Million US \$)	42	97	131	207	196
Reserve/Import Ratio	0.123	0.200	0.228		
Nicaragua					
Reserves (Million US \$)	117	122	146	217	195
Reserve/Import Ratio	0.245	0.184	0.207		
Paraguay					
Reserves (Million US \$)	57	115	160	183	243
Reserve/Import Ratio	0.331	0.360	0.494		
Uruguay					
Reserves (Million US \$)	240	218	315	342	382
Reserve/Import Ratio	0.605	0.304	0.402		
Other Asian Countries					
Burma					
Reserves (Million US \$)	100	141	126	122	125
Reserve/Import Ratio	0.408	0.490	0.508		
Malaysia					
Reserves (Million US \$)	1,345	1,524	2,472	2,564	2,715
Reserve/Import Ratio	0.433	0.352	NA		
Pakistan					
Reserves (Million US \$)	480	406	532	418	438
Reserve/Import Ratio	0.346	0.145	0.187		
Singapore					
Reserves (Million US \$)	2,286	3,007	3,364	3,469	3,493
Reserve/Import Ratio	0.410	0.345	0.345		
Sri Lanka					
Reserves (Million US \$)	87	58	92	108	127
Reserve/Import Ratio	0.187	0.070	0.131		
Thailand					
Reserves (Million US \$)	1,306	1,775	1,893	1,981	2,017
Reserve/Import Ratio	0.562	0.483	0.460		
Other Middle Eastern Countries					
Jordan					
Reserves (Million US \$)	306	492	491	492	570
Reserve/Import Ratio	0.728	0.516	0.417		
Syria					
Reserves (Million US \$)	412	735	361	NA	NA
Reserve/Import Ratio	0.594	0.381	0.138		

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Non-OPEC LDCs: International Reserves of Selected Countries¹ (Cont.)

Country	1973	1975	1976	1977	
				1st Quarter	2d Quarter
Other African Countries					
Cameroon					
Reserves (Million US \$)	51	29	44	43	
Reserve/Import Ratio	0.099	0.035	0.054		
Chad					
Reserves (Million US \$)	1	3	23	20	
Reserve/Import Ratio	0.010	0.013	0.131		
Ethiopia					
Reserves (Million US \$)	177	288	306	284	319
Reserve/Import Ratio	0.592	0.659	0.660		
Gambia					
Reserves (Million US \$)	16	29	21	26	31
Reserve/Import Ratio	0.455	0.461	0.254		
Ghana					
Reserves (Million US \$)	189	150	104	134	185
Reserve/Import Ratio	0.350	0.163	0.107		
Ivory Coast					
Reserves (Million US \$)	88	103	76	271	374
Reserve/Import Ratio	0.077	0.059	0.039		
Kenya					
Reserves (Million US \$)	233	173	276	389	534
Reserve/Import Ratio	0.268	0.139	0.216		
Mali					
Reserves (Million US \$)	4	4	7	10	8
Reserve/Import Ratio	0.025	0.016	0.030		
Mauritania					
Reserves (Million US \$)	42	48	82	68	52
Reserve/Import Ratio	0.156	0.165	0.215		
Rwanda					
Reserves (Million US \$)	16	29	64	66	71
Reserve/Import Ratio	0.251	0.221	0.394		
Sudan					
Reserves (Million US \$)	61	36	24	24	23
Reserve/Import Ratio	0.133	0.037	0.026		
Tanzania					
Reserves (Million US \$)	145	65	112	193	238
Reserve/Import Ratio	0.255	0.080	0.152		

billion for the period through May, compared with about \$11 billion in 1975. With reserves still building, the LDCs have cut their borrowing rather than moving toward expansionary programs.

Positions on the Recovery Path

Since the 1973/74 oil crisis, it has become harder to group non-OPEC LDCs in relation to global economic cycles, as new financial mechanisms have allowed them

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to spread or defer their adjustments. Until recently, the growth rates for both exports and GNP of many LDCs tended to follow the business cycle in the Big Seven by six to 18 months. Many could sustain growth and development only by tapping official aid and private trade credits to offset declining exports. With the quadrupling of oil prices in 1973/74, the non-OPEC LDC group began to broaden its use of foreign capital sources, including new facilities of the IMF and a much more responsive Eurocurrency market. This and other developments have increased the dispersion in recovery patterns.

Major Country Positions

Of the major developing countries, *South Korea* and *Taiwan* are farthest along on the growth/payments recovery track. The strong position of both these countries in manufactured exports permitted early gains from the incipient recovery in the developed nations. South Korea is also helped by its large service accounts earnings from Middle East construction contracts, which have offset rising debt repayments and may permit a small current account surplus in 1977. The absence of Korean-scale services earnings means Taiwan must accept a deficit this year as a concomitant to a higher growth rate.

The positions of Brazil and Mexico were roughly similar at the beginning of the year. *Brazil* has subsequently been hit by declines in coffee and soybean prices. The Brazilian government has further aggravated the situation by an export policy that has priced the nation's coffee out of the market for the last four months. As a result, the current account deficit is now expected to decline to only about \$4.5 billion rather than to the originally estimated \$3.2 billion. The government will have a hard time appreciably relaxing its year-old austerity program before mid-1978. *Mexico*, on the other hand, has enjoyed unexpectedly strong export growth, while tough austerity measures have cut import demand. Consequently, the Mexican government should be able to relax its financial stabilization measures beginning early next year.

Selected LDCs: Swings in the Current Account Deficit, 1977

	Million US\$
Brazil	1,500
Mexico	1,424
Argentina	600
Peru	532
South Korea	350
Jamaica	281
Philippines	229
Zaire	0
Taiwan	-194
India	-350
Chile.....	-383

Among other key countries, *the Philippines* continues to avoid slowing economic growth despite potential payments problems. The Philippines should achieve 7-percent growth in GDP this year, while holding the import increase to half the rate of export expansion. Manila is running some risk in maintaining rapid economic expansion, since the nation's reserve import ratio is well below 1973 levels

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and reserves declined in first half 1977. *Peru* and *Jamaica* are both tightening economic austerity to bring their respective financial requirements in line with their ability to borrow.

Argentina and Chile have already gone through the worst of their austerity measures. *Argentina* seems to have successfully reorganized its debt structure and to have boosted exports; it should be considered on the upswing in its recovery. The reserve/import ratio was near 1973 levels at yearend 1976 and reserves have continued to grow in 1977. With debt repayments increasing only moderately and a bright export picture, ample room exists for accelerated import and GNP growth over the next several years. *Chile's* position is substantially recovered from the chaotic Allende period, although room still exists for improvements in growth and price performances and international accounts. Reserves are triple the level of 1973. The reserve/import ratio nonetheless is still quite low. Although economic growth is expected to run close to 6 percent in 1977, sustained expansion similar to that prevailing in countries higher up on the recovery path is unlikely.

Unlike most other developing countries, *India* is probably in the strongest financial position it has seen. Economic growth, however, will continue to be driven more by agricultural production patterns than by the external sector.

Countries Not Covered in the Series

For the developing countries not covered individually in the EIW series on international accounts, the broad patterns in reserves and imports permit some classification of positions on the recovery track.

As a group, the Latin American nations are in the best position, following their strong export performance in the first half. Even so, many of them will be hurt by the recent breaks in coffee prices. Of the 10 "other Latin American countries" (shown in the table), seven had yearend 1976 reserve/import ratios higher than those prevailing in 1973. Furthermore, only one showed reserve levels declining in both quarters of 1977, and several showed very strong reserve growth in one or both quarters. By this ranking, Colombia, Costa Rica, Honduras, and Paraguay appear to be in good position to expand imports.

The picture is neither as uniform nor as optimistic in Asia, the Middle East, and Africa. The best prospects for countries in these regions lie among those conservatively managed economies with traditionally high reserve/import ratios—notably Thailand, Malaysia, and Singapore. In Africa, Kenya and Ivory Coast fall in this group. Few others in Africa, however, have been able to capitalize sufficiently on economic recovery in the OECD countries to appreciably affect either their payments or growth outlook. (Unclassified)

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POLAND: GLOOMIER AGRICULTURAL OUTLOOK

Unfavorable weather has further dampened Poland's harvest outlook, raising official fears of renewed panic buying of flour, rice, and cereals. A recent speech by Polish Premier Jaroszewicz reportedly was edited to substitute a categorical assurance of adequate food supplies for a vague pledge of government action. To make up for the likely shortfall in the harvest of grain and potatoes, Warsaw probably will press Moscow for more grain and seek additional US grain on credit.

Officials Worry About Consumer Reactions

Shortfalls are likely this autumn in the output of grain, fruit, vegetables, and potatoes because of the continued cool, cloudy, and rainy weather in Poland. Late in August, reports of harvest problems caused by rains and floods set off a buying spree, which cleared the shelves of staples in many stores. Although Polish officials contend that supplies of foodstuffs will be adequate, they complain of difficulty in allaying consumer doubts. Officials are fearful that continued reports about a poor harvest will cause another run on the stores and turn an uneasy economic balance into a political crisis.

Grain and Potato Harvests Down

We estimate that 1977 grain output will be about 20 million tons—nearly 2 million tons less than Polish officials had anticipated and almost 1 million tons less than last year's output. The milling and breadmaking quality of some of the grain has been adversely affected by the wet harvesting conditions. The wet weather also has hit the potato crop (an important source of feed for hogs) particularly hard, fostering the spread of blight; in past years, blight has reduced the potato crop between 10 and 30 percent.

Imports of Grain and Fodder Up

Because of the unfavorable harvest outlook, we expect grain import needs in the fiscal year ending 30 June 1978 to be between 6 million and 7 million tons, compared with imports of about 6 million tons last year. Imports of oilseed meal may exceed last year's purchases of about 1.1 million tons. Aside from bread-quality wheat, the composition of imports of grain and fodder for livestock will be determined largely by relative prices and availability of credits.

Polish officials are confident that the USSR will supply 1 million to 1.5 million tons of grain; they will probably press for more.

Warsaw has applied for \$300 million in Commodity Credit Corporation credits,

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which would cover 3 million tons. So far \$150 million in credits have been approved, including \$135 million for about 1.5 million tons of grain. Purchases of grain on credit are also expected from Canada and France.

Meat Will Remain Scarce

Record imports of grain and feed are needed if the government is to prevent setbacks to its livestock program. Warsaw has been rebuilding animal holdings since livestock numbers tumbled in early 1976. Meat, nonetheless, remains scarce; even with substantial imports of feed grains, increased supplies of meat are not expected before mid-1978. Meanwhile, planned meat imports will not be sufficient to offset lower production, and per capita consumption will fall below last year's level. Shortages of fruit, vegetables, and potatoes will compound consumer dissatisfaction over meat shortages. (Confidential)

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IMPROVED CONDITIONS AT OPEC PORTS*

The unprecedented congestion plaguing OPEC ports in the Middle East and Africa since 1975 has eased considerably.

At most ports ships are encountering delays of 30 days or less, a vast improvement over the six- to seven-month waiting periods experienced last year. As a result, surcharges and demurrage fees, which reached record levels in 1976 because of the congestion, have been greatly reduced or eliminated. Damage to cargo also has become less prevalent due to the less crowded port facilities. These improvements, by allowing for more expeditious movement of goods through the ports, permit more orderly progress on development projects.

The completion of several port expansion projects should further improve operations over the next 12 months. By 1985, the region as a whole will have a comfortable margin of extra port capacity. The bottlenecks in the system will then have become the outdated internal transportation network.

Technology Leads the Way

The primary reason for the improvement in efficiency at OPEC ports is the use of modern shipping technology—primarily ro/ro (roll-on/roll-off) vessels, LASH (lighter-aboard-ship) vessels, and containerhips. This factor is most clearly evident at Jidda, where an estimated 25 percent of imports arrived by containerhips in 1976. Similarly, ro/ro vessels—which only began calling at Jidda in late 1975—now

*This article is drawn from a forthcoming report by the Office of Economic Research.

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deliver one-third of total monthly imports. As a result, 1.4 million tons of cargo were offloaded at the port during the first two months of 1977, an amount almost equal to the total cargo unloaded during all of 1974.

Improved Management and Higher Labor Productivity Speed Cargo Handling

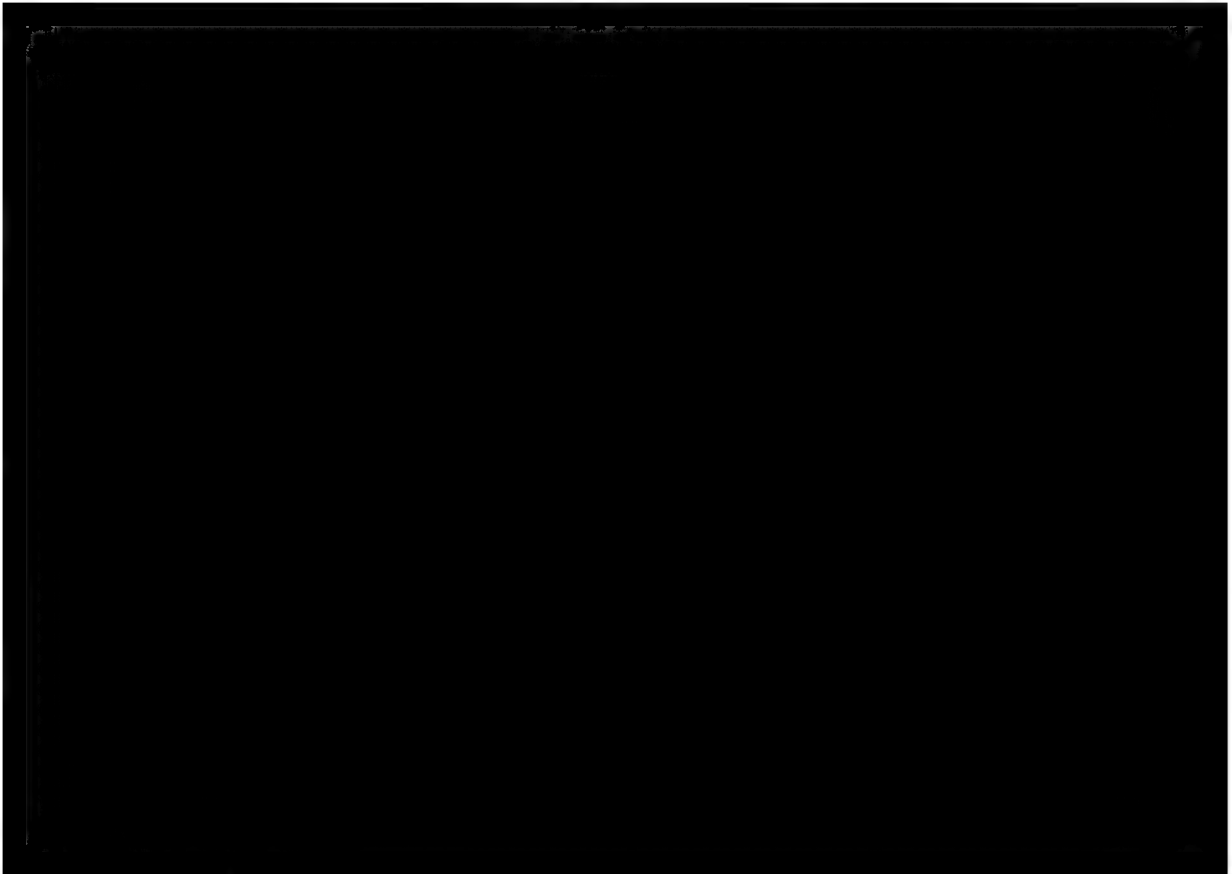
Cargo-handling efficiency at OPEC ports also has been raised, primarily through better management methods introduced by West European and American firms. In Iran and Saudi Arabia, for instance, the ministries in charge of ports have been reorganized and incompetent officials replaced. Improvements in labor productivity have helped alleviate some problems. Foreign firms and laborers are being hired in growing numbers to handle specific tasks—for example, organizing training programs, arranging cargo within storage areas, and designing custom forms. The performance of indigenous workers, who make up the bulk of the labor force at the ports, is also being slowly upgraded—although at widely varying rates, depending on the situation at each port.

Major OPEC Ports: Waiting Period¹

Country and Port	In Days		
	1 Jan 1976	1 Sep 1976	1 Sep 1977
Kuwait			
Shuwaikh	12	50	45
Iran			
Bandar Abbas	100	100	25
Bandar Shahpur	140	120	10
Khorramshahr	225	180	10
Iraq			
Basrah	90	30	2-3
Umm Qasr	90	30	0-1
Libya			
Benghazi	60	7	30
Tripoli	60	15	30
Nigeria			
Lagos/Apapa	180	180	160
Saudi Arabia			
Dammam	150	80	1-2
Jiddah	90	160	1-2

¹Represents maximum waiting period, normally for ships carrying bulk cargoes. Some liner conferences as well as ro/ro vessels and containerships receive priority berthing.

SECRET



25X1D

Dammam, Saudi Arabia

Dammam, the largest deepwater port in the Persian Gulf, has had great success in dealing with congestion. Since 1975 the number of berths has more than tripled and special facilities for ro/ro and LASH vessels have been put into operation. In addition, projects to widen road and rail causeways and to construct large new storage facilities outside the port have greatly improved the port's interface with the inland transport system.

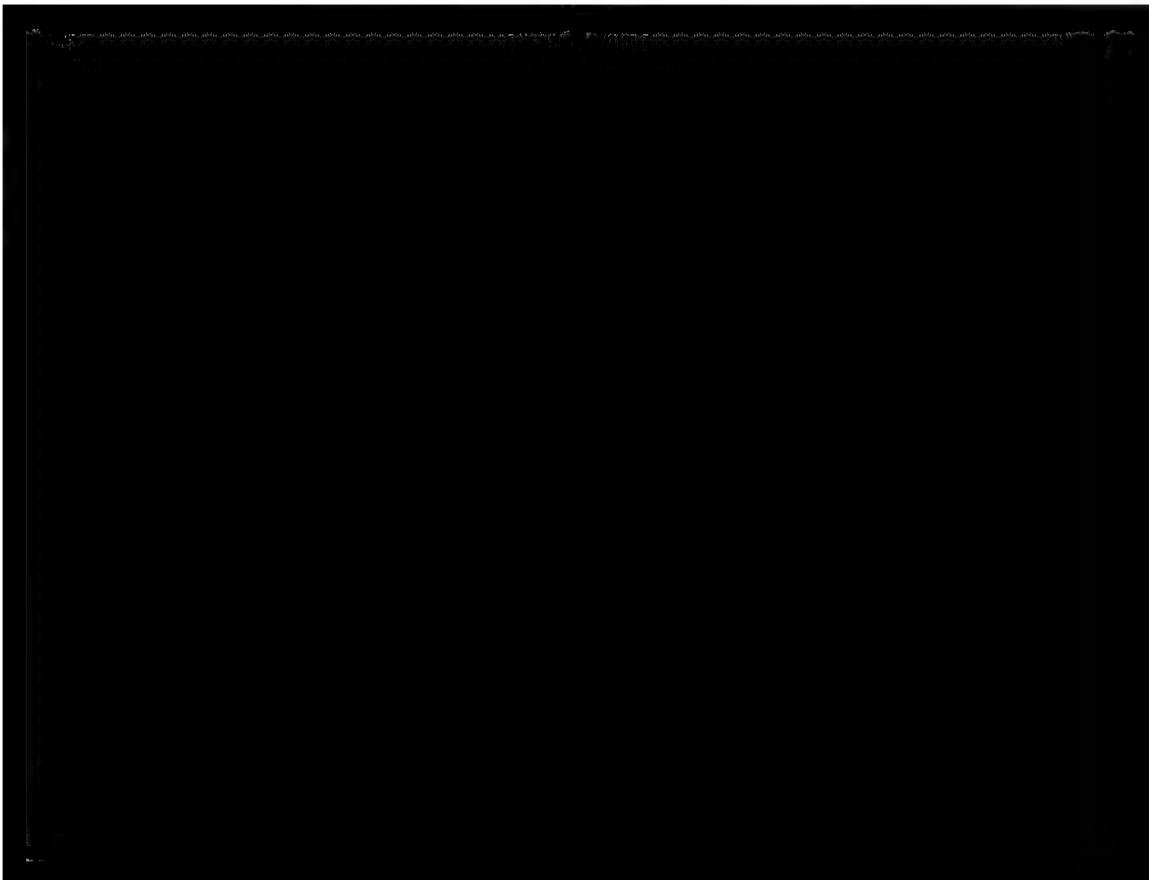


25X1D

Port Expansion Gives Elbow Room

The completion of several major port expansion projects has contributed to the reduction in congestion. Iran, Iraq, Saudi Arabia, and other OPEC states have had extensive port development projects under way for the past several years. By 1985 these countries will have spent at least \$15 billion on building new berths and warehouses, acquiring forklift trucks and other handling equipment, and otherwise beefing up facilities. If all berths currently planned or under construction are

SECRET



completed, the region will have more than 560 dry-cargo berths available by 1985—nearly four times the number in operation in 1975. Several major expansion projects have already started to pay off, [REDACTED]

Slower Import Growth Lightens Burden

Despite continuing huge current account surpluses, real import growth in several OPEC countries has leveled off or even fallen during the past 18 months. In Iran, for example, the volume of imports entering the country has remained essentially the same since late 1975. In Iraq, real imports in first half 1977 have actually fallen about 15 percent. As a result, the ports in these two countries have been given a breather, allowing the port development programs launched during the past few years to take hold. As for Saudi Arabia, even though imports are running one-fourth higher this year, this represents a marked decline in the rate of growth.

22 September 1977

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Impact

The shorter delays at OPEC ports have led to a reduction in the surcharges and demurrage fees levied by steamship companies. The major liner conferences, in particular, have lowered or eliminated their surcharges. The lowering of liner conference surcharges, however, has been offset at least partially by the increase in costs attributable to the use of ro/ro vessels, LASH vessels, and containerships. These vessels, because of their faster turnaround time, charge rates substantially above general cargo vessels to move the same cargo. As a result, we estimate that freight and insurance charges in Iran, Iraq, Saudi Arabia, Libya, and Nigeria—which averaged roughly 16 percent of import costs in 1976—will decline only slightly this year.

Another important byproduct of the recent alleviation of congestion and the more efficient cargo handling has been a lowering of import costs. At the height of congestion, government officials in Saudi Arabia were estimating that damage to cargo left in open storage was driving up import costs at certain projects by 20 percent or more. Similarly, one business official in Iran stated that nearly 10 percent of the equipment that arrived last year was destroyed by rust before it could be put into operation. Moreover, because of the extensive damage, projects were delayed and costs soared as equipment had to be reordered—at a substantially higher cost, because of inflation. Although these problems still exist at all ports to some degree, especially in Iran, the situation is nowhere near as serious as it was a year ago.

Internal Transport: A New Constraint

The improvements cited above suggest that OPEC ports are well on their way to becoming modern high-capacity ports—provided that certain standards of physical upkeep, administration, and discipline are maintained. Yet OPEC countries still face a fundamental distribution problem. Their inland transport systems are old, backward, and inadequately located for present-day needs.

During the past three years, the highway and rail systems in Iran, Iraq, and Saudi Arabia—among the largest OPEC nations—have further deteriorated under the massive new import traffic. As port congestion is reduced, the choke points in the inland transport system stand out more prominently, especially since local transport authorities in most cases have not properly maintained the roads and rail lines in their jurisdictions.

Iran, Iraq, and Saudi Arabia, in particular, have drawn up ambitious development plans to remedy their internal transport problems. Between 1976 and 1980, these three countries together will spend about \$10 billion on these facilities, triple the amount spent in 1971-75. Most of the programs are focused on upgrading existing networks and providing links to new industrial mining centers. Except in

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Saudi Arabia, where substantial upgrading of highways has already been achieved, most internal transport projects are in the design or early construction stages. By the mid-1980s sufficient improvements, however, should have been made to effectively support the ambitious industrial development programs envisioned in these countries. (Secret Noform)

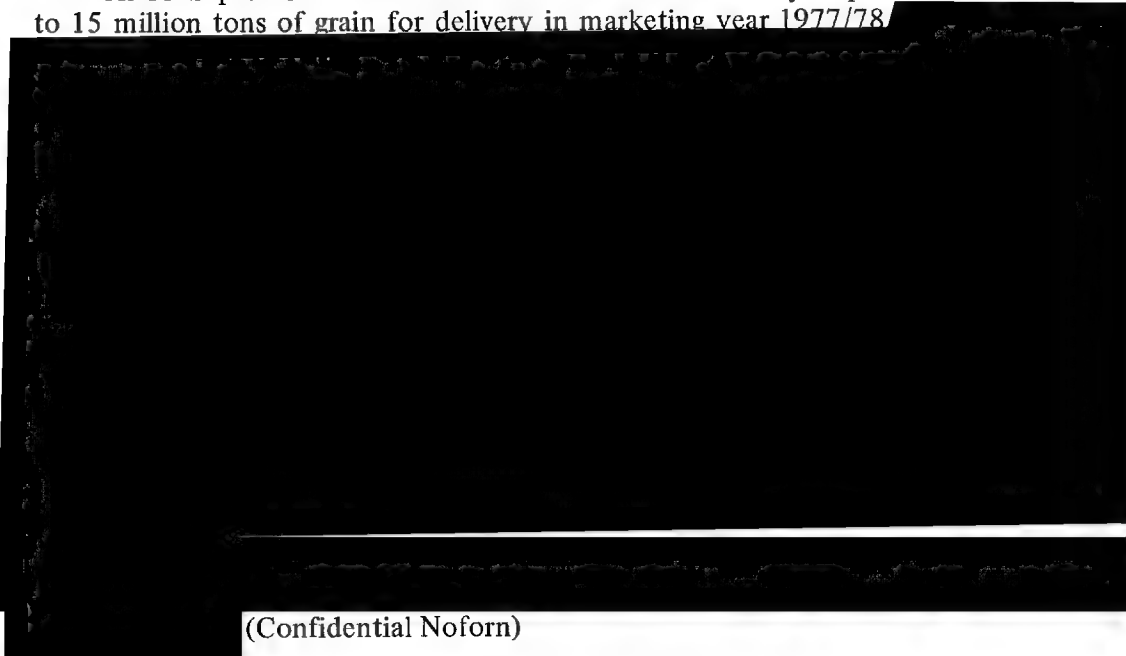
* * * * *

Note

Soviet Grain Purchases Total 14 Million Tons

On 15 September we stated that the Soviets were likely to purchase 10 million to 15 million tons of grain for delivery in marketing year 1977/78.

25X1X



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25X1X

(Confidential Noform)

Publications of Interest*

Arms Sales to the Third World
(ER 77-10500, September 1977, [redacted])

25X1A

This publication analyzes global arms purchases by LDCs in 1976. It focuses on Middle East clients and provides tabulated data on arms acquisitions by LDCs over the past five years.

*Copies of these publications may be ordered by calling [redacted]

25X1A

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SECRET

21

SECRET

The RYAD Computer: A Program in Trouble
(ER 77-10491, August 1977, Confidential Noform)

This paper discusses recent Soviet problems with the production of third-generation RYAD computers, prospects for future production, and the economic and military implications of the program.

Communist Aid and Trade Activities in Less Developed Countries, Second Quarter 1977
(ER CAT 77-004, September 1977, [REDACTED])

25X1A

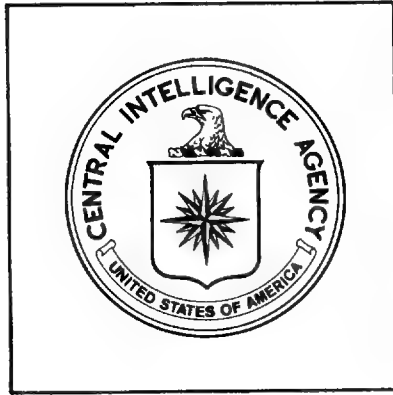
This report contains the usual detailed listing of Communist aid and trade activities in individual LDCs. In addition, feature articles in the quarterly summarize Communist economic and military activities in Third World countries in first half 1977 and provide details on Soviet aid to fishing industries in LDCs.

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ECONOMIC INDICATORS

Prepared by
The Office of Economic Research

ER EI 77-038
22 September 1977

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FOREWORD

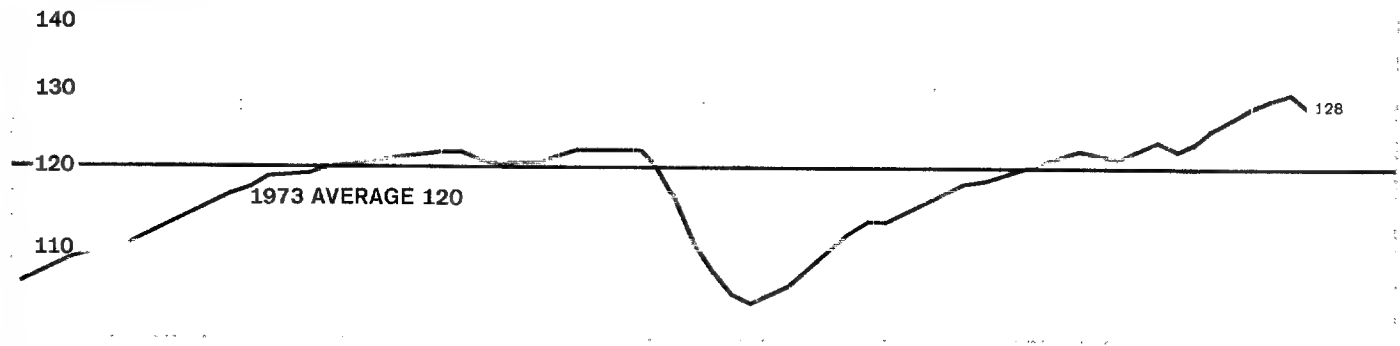
1. The **Economic Indicators** provides up-to-date information on changes in the domestic and external economic activities of the major non-Communist developed countries. To the extent possible, the **Economic Indicators** is updated from press ticker and Embassy reporting, so that the results are made available to the reader weeks—or sometimes months—before receipt of official statistical publications. US data are provided by US government agencies.

2. Source notes for the **Economic Indicators** are revised every few months. The most recent date of publication of source notes is 20 April 1977. Comments and queries regarding the **Economic Indicators** are welcomed.

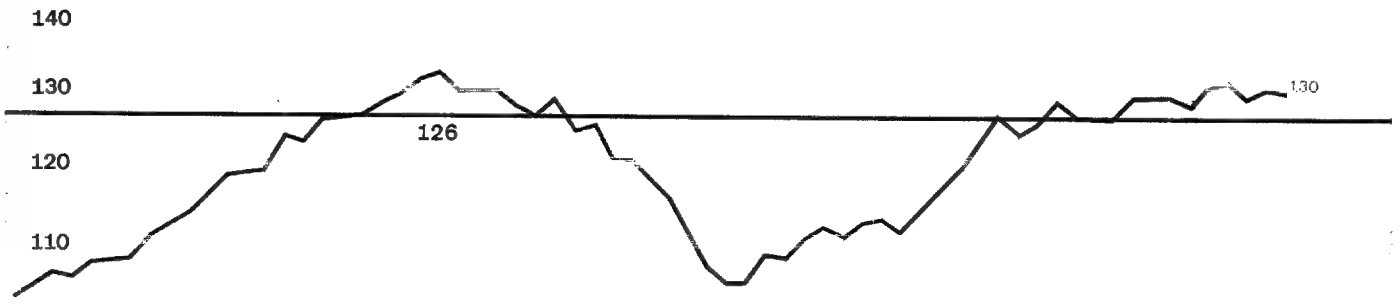
INDUSTRIAL PRODUCTION INDEX: 1970=100, seasonally adjusted

United States

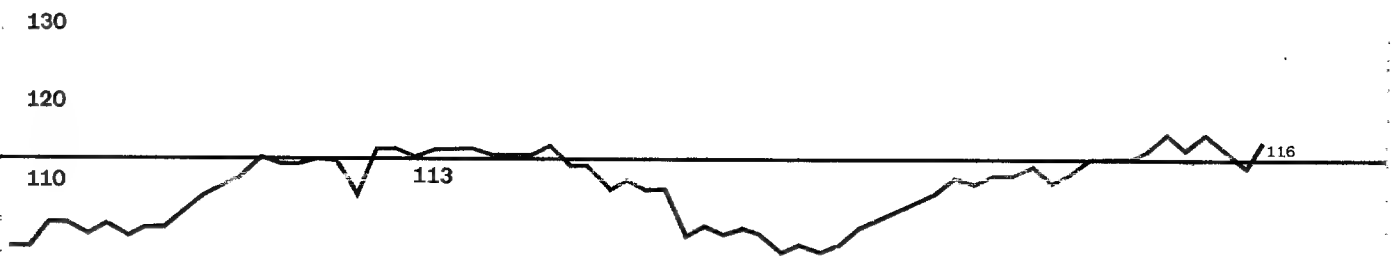
Semilogarithmic Scale



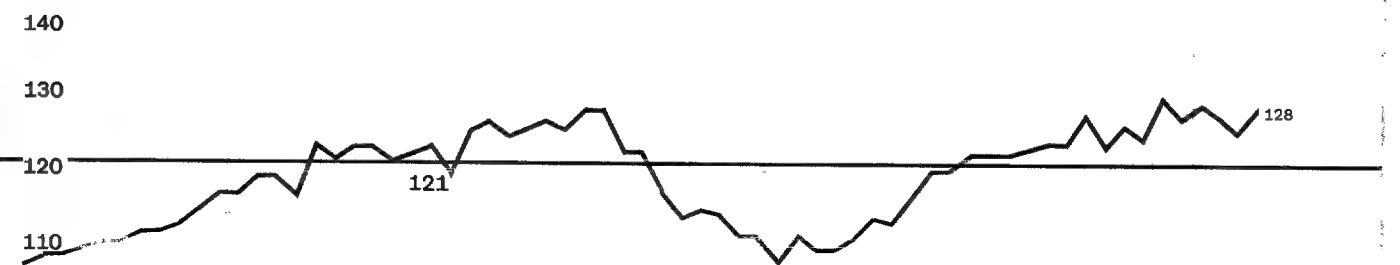
Japan



West Germany

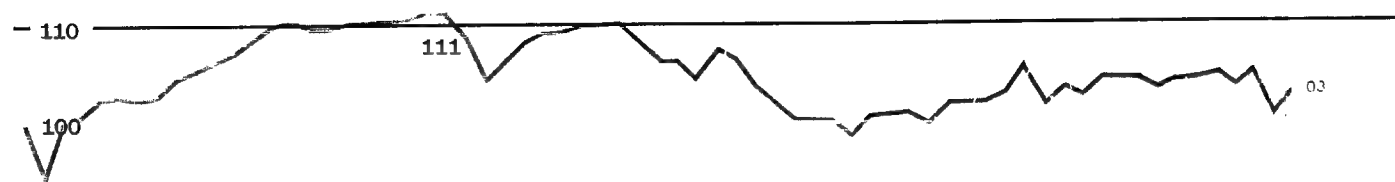


France



United Kingdom

Semilogarithmic Scale



Italy



Canada

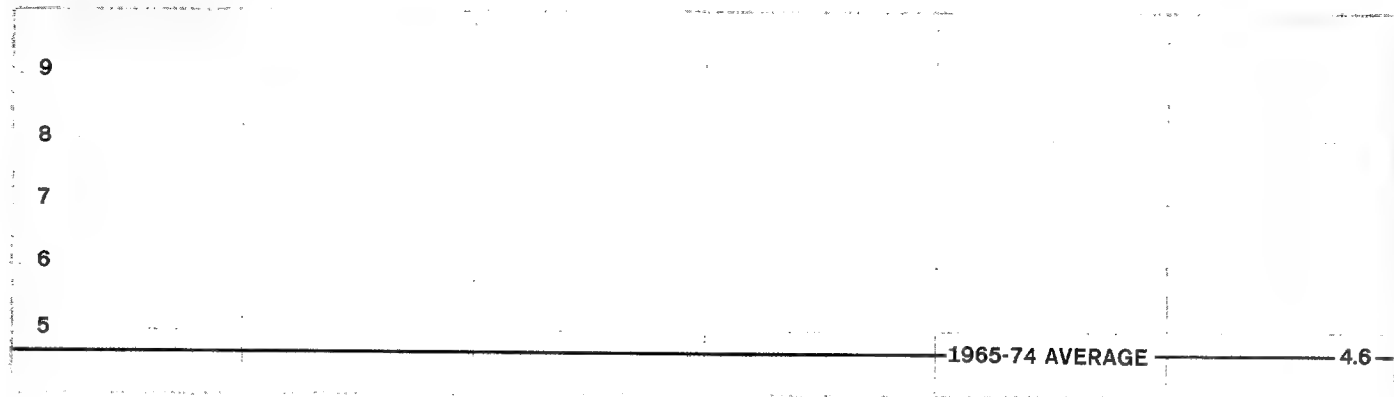


JAN APR JUL OCT JAN APR JUL OCT JAN APR JUL OCT JAN APR JUL OCT JAN APR JUL OCT
 1972 1973 1974 1975 1976 1977

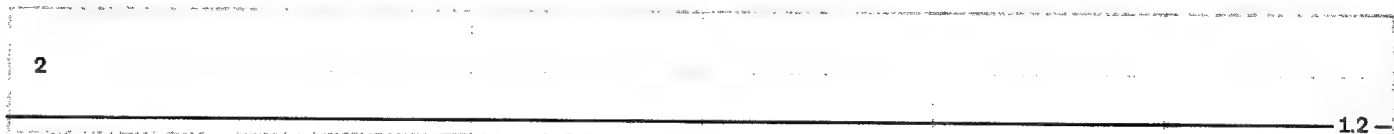
	LATEST MONTH	Percent Change from Previous Month	AVERAGE ANNUAL GROWTH RATE SINCE				LATEST MONTH	Percent Change from Previous Month	AVERAGE ANNUAL GROWTH RATE SINCE		
			1970	1 Year Earlier	3 Months Earlier ¹				1970	1 Year Earlier	3 Months Earlier ¹
United States	AUG 77	0.6	3.5	5.3	6.7	United Kingdom	JUL 77	2.8	0.4	-1.0	-8.5
Japan	JUL 77	-0.9	3.8	1.2	0.7	Italy	JUN 77	0.7	4.0	12.2	7.3
West Germany	JUN 77	1.8	2.2	3.6	6.6	Canada	JUN 77	0.3	4.1	4.5	1.4
France	JUN 77	3.2	3.6	4.1	8.0						

UNEMPLOYMENT PERCENT OF LABOR FORCE

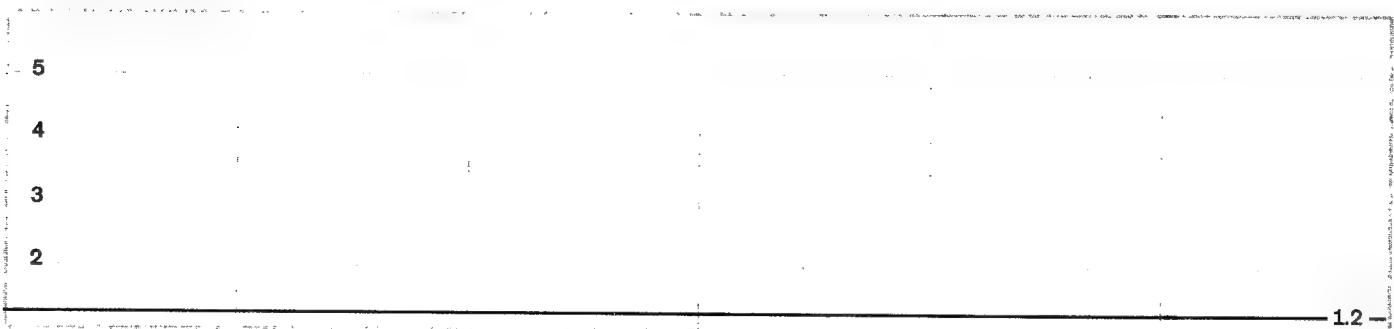
United States



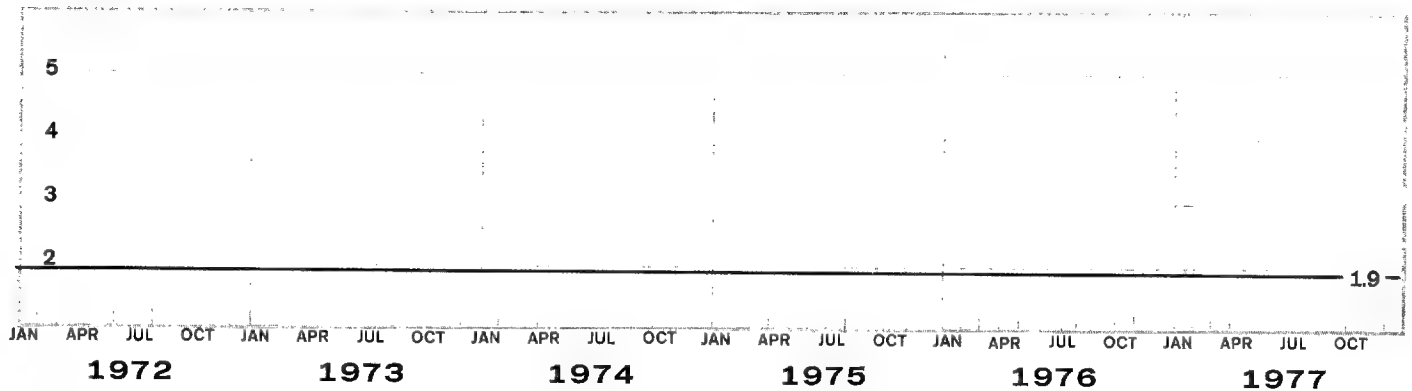
Japan



West Germany



France



United Kingdom

6
5
4
3

2.5 —

Italy (quarterly)

7
6
5
4
3

3.4 —

A labor force survey based on new definitions of economic activity sharply raised the official estimate of Italian unemployment in first quarter 1977. Data for earlier periods thus are not comparable. Italian data are not seasonally adjusted.

Canada

8
7
6
5

5.0 —

JAN	APR	JUL	OCT	JAN	APR	JUL	OCT	JAN	APR	JUL	OCT	JAN	APR	JUL	OCT	JAN	APR	JUL	OCT	JAN	APR	JUL	OCT
1972				1973				1974				1975				1976				1977			

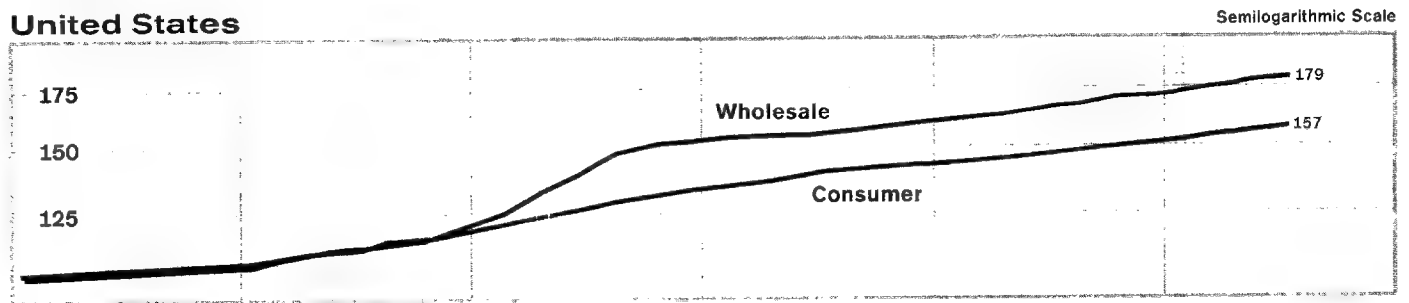
THOUSANDS OF PERSONS UNEMPLOYED

	LATEST MONTH	1 Year Earlier	3 Months Earlier		LATEST MONTH	1 Year Earlier	3 Months Earlier
United States				United Kingdom			
Japan				Italy			
West Germany				Canada			
France							

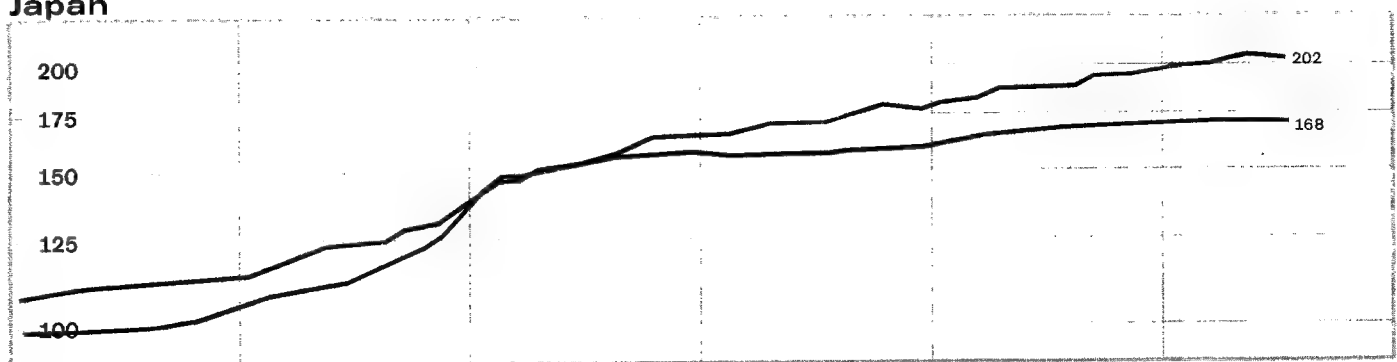
NOTE: Data are seasonally adjusted. Unemployment rates for France are estimated. The rates shown for Japan, Italy and Canada are roughly comparable to US rates. For 1975-77, the rates for France and the United Kingdom should be increased by 5 percent and 15 percent respectively, and those for West Germany decreased by 20 percent to be roughly comparable with US rates.

DOMESTIC PRICES¹ INDEX: 1970=100

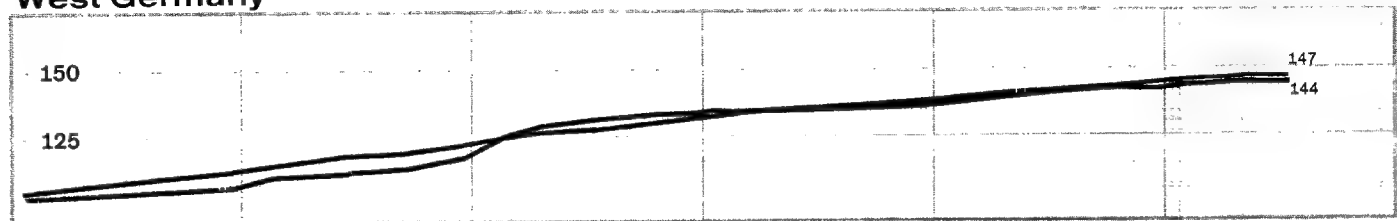
United States



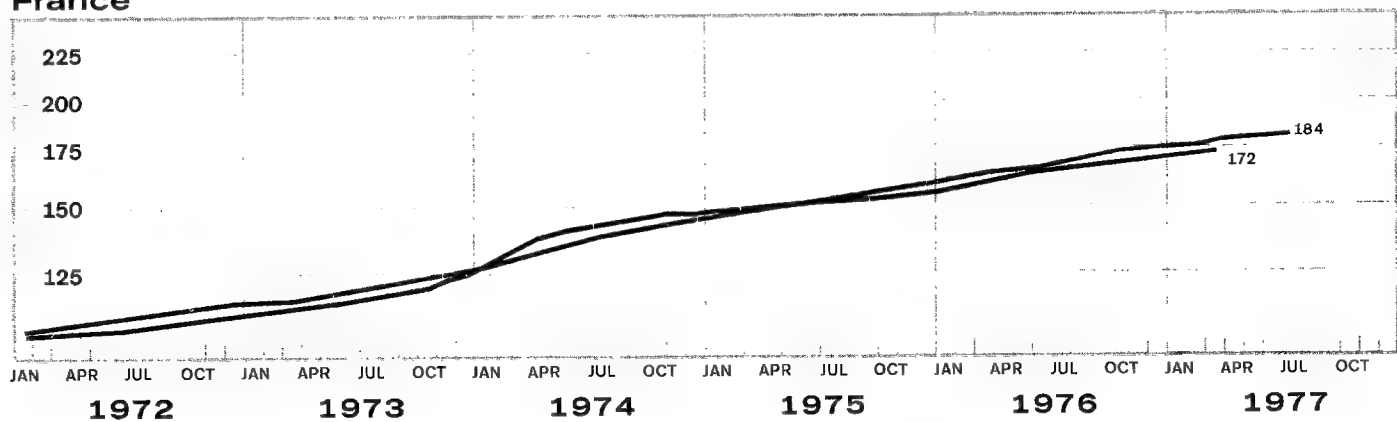
Japan



West Germany



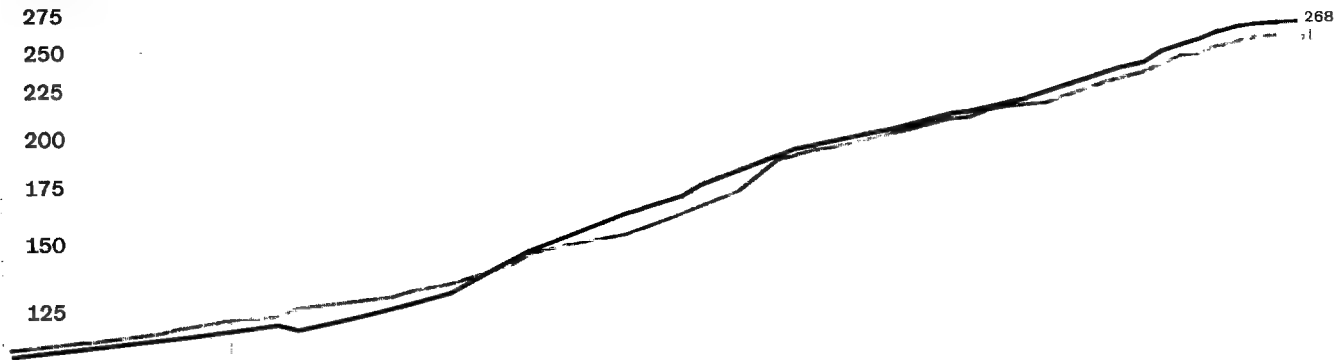
France



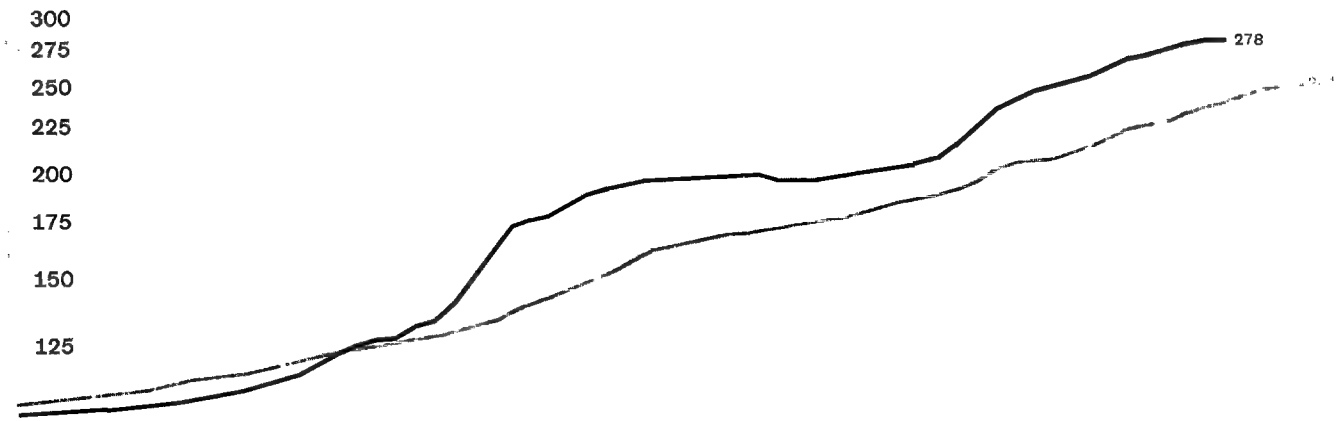
¹Wholesale price indexes cover industrial goods.

United Kingdom

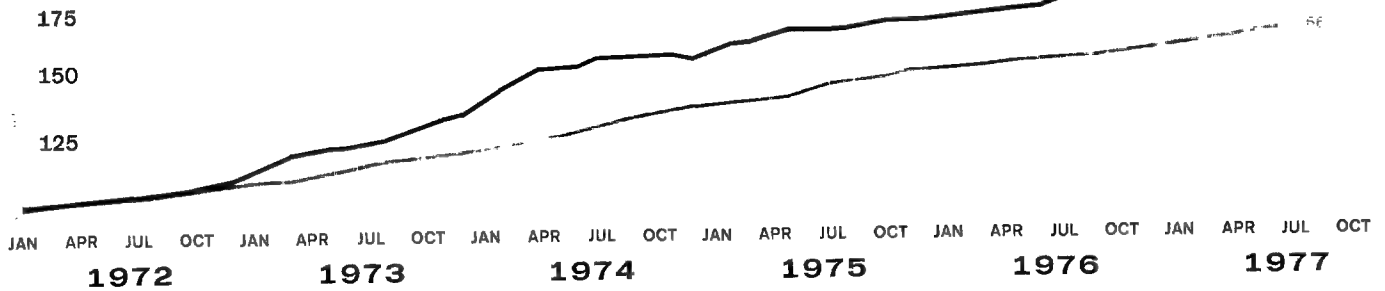
Semilogarithmic Scale



Italy



Canada



	LATEST MONTH	Percent Change from Previous Month	AVERAGE ANNUAL GROWTH RATE SINCE				LATEST MONTH	Percent Change from Previous Month	AVERAGE ANNUAL GROWTH RATE SINCE		
			1970	1 Year Earlier	3 Months Earlier				1970	1 Year Earlier	3 Months Earlier
United States	AUG 77	0.6	8.5	7.2	5.7	United Kingdom	AUG 77	0.9	14.8	20.0	13.4
	JUL 77	0.4	6.6	6.7	6.9		JUL 77	0.1	14.0	17.6	8.0
Japan	JUL 77	-0.5	7.7	1.1	-2.6	Italy	JUN 77	0.3	15.8	15.9	6.7
	JUL 77	0.3	10.5	7.7	0.7		AUG 77	0.7	13.2	20.0	9.8
West Germany	JUL 77	0	5.3	2.2	0.3	Canada	JUN 77	0.2	10.0	9.6	2.2
	JUL 77	0.1	5.6	4.3	3.1		JUL 77	0.9	7.5	8.4	10.3
France	MAR 77	0.9	8.4	8.2	7.6						
	JUL 77	0.9	9.1	10.1	10.9						

GNP¹**Constant Market Prices**

	Latest Quarter	Percent Change from Previous Quarter	Average Annual Growth Rate Since		
			1970	1 Year Earlier	Previous Quarter
United States	77 II	1.6	3.2	4.7	6.4
Japan	77 II	1.9	5.6	5.6	7.6
West Germany	76 IV	1.5	6.7	5.1	6.0
France	76 IV	0	3.9	4.9	0
United Kingdom	77 I	-1.9	1.6	-1.3	-7.5
Italy	76 IV	1.1	3.0	5.5	4.6
Canada	76 IV	-0.6	4.8	3.4	-2.5

¹ Seasonally adjusted.**Constant Prices**

	Latest Month	Percent Change from Previous Month	Average Annual Growth Rate Since		
			1970	1 Year Earlier	3 Months Earlier ²
United States	Jun 77	-0.2	3.2	4.1	3.3
Japan	May 77	-3.8	9.9	2.3	9.5
West Germany	Jun 77	0.9	2.4	4.4	-9.8
France	Jun 77	7.7	-0.3	1.0	-8.1
United Kingdom	Jul 77	3.1	1.1	-1.7	3.9
Italy	Mar 77	0.2	2.9	-0.3	16.3
Canada	Jun 77	-0.7	4.1	-3.7	-8.7

¹ Seasonally adjusted.² Average for latest 3 months compared with average for previous 3 months.**FIXED INVESTMENT¹****Non-residential; constant prices**

	Latest Quarter	Percent Change from Previous Quarter	Average Annual Growth Rate Since		
			1970	1 Year Earlier	Previous Quarter
United States	77 II	2.2	2.1	9.6	9.0
Japan	77 II	0.5	1.1	4.5	2.0
West Germany	76 IV	7.7	0.5	5.8	34.5
France	75 IV	8.8	4.2	2.9	40.1
United Kingdom	77 I	-0.6	0	3.4	-2.5
Italy	76 IV	5.2	3.0	15.4	22.4
Canada	76 IV	8.5	6.8	5.1	38.7

¹ Seasonally adjusted.**WAGES IN MANUFACTURING¹**

	Latest Period	Percent Change from Previous Period	Average Annual Growth Rate Since		
			1970	1 Year Earlier	3 Months Earlier ²
United States	Jul 77	0.6	7.5	7.6	8.1
Japan	Jun 77	1.7	17.3	12.5	8.7
West Germany	77 II	1.7	9.5	7.5	7.2
France	77 I	2.3	14.1	13.9	9.5
United Kingdom	Jun 77	0.3	15.7	3.4	3.6
Italy	May 77	5.3	21.1	29.4	33.2
Canada	Jun 77	1.3	11.5	10.7	11.7

¹ Hourly earnings (seasonally adjusted) for the United States, Japan, and Canada; hourly wage rates for others. West German and French data refer to the beginning of the quarter.² Average for latest 3 months compared with that for previous 3 months.**MONEY MARKET RATES**

	Representative rates	Latest Date	Percent Rate of Interest			
			1 Year Earlier	3 Months Earlier	1 Month Earlier	
United States	Commerical paper	Sep 14	6.01	5.38	5.40	5.75
Japan	Call money	Sep 16	4.88	7.00	5.63	5.75
West Germany	Interbank loans (3 months)	Sep 14	4.07	4.58	4.23	4.10
France	Call money	Sep 16	8.50	9.50	8.75	8.56
United Kingdom	Sterling interbank loans (3 months)	Sep 14	6.09	12.03	7.75	6.75
Canada	Finance paper	Sep 14	7.50	9.43	7.14	7.38
Eurodollars	Three-month deposits	Sep 14	6.49	5.58	5.80	6.38

EXPORT PRICES

US \$

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EXPORT PRICES

National Currency

	Latest Month	Percent Change from Previous Month	Average Annual Growth Rate Since		
			1970	1 Year Earlier	3 Months Earlier
United States	Jun 77	-0.4	9.8	5.6	2.5
Japan	Jun 77	2.0	10.8	14.9	10.1
West Germany	Jul 77	3.5	11.7	12.8	17.0
France	May 77	0.9	11.3	7.1	3.6
United Kingdom	Aug 77	2.9	11.0	13.9	15.7
Italy	Mar 77	0.5	11.3	16.9	16.7
Canada	Jun 77	0.5	9.8	8.6	12.3

	Latest Month	Percent Change from Previous Month	Average Annual Growth Rate Since		
			1970	1 Year Earlier	3 Months Earlier
United States	Jun 77	-0.4	9.8	5.6	2.5
West Germany	Jul 77	0.9	4.5	0.5	2.1
France	May 77	0.6	9.5	12.8	1.3
United Kingdom	Aug 77	1.9	16.1	16.7	10.1
Italy	Mar 77	-1.1	16.8	22.9	17.1
Canada	Jun 77	-0.3	8.2	5.4	9.6

IMPORT PRICES

National Currency

	Latest Month	Percent Change from Previous Month	Average Annual Growth Rate Since		
			1970	1 Year Earlier	3 Months Earlier
United States	Jun 77	-1.4	13.5	7.9	2.1
Japan	Jun 77	-0.8	10.9	0.3	-14.8
West Germany	Jul 77	0.3	4.4	-0.3	-1.2
France	May 77	-0.5	10.5	17.4	2.5
United Kingdom	Aug 77	-1.0	19.3	13.9	1.7
Italy	Apr 77	1.0	21.1	13.7	15.1
Canada	Jun 77	0.5	9.2	9.0	7.4

OFFICIAL RESERVES

	Latest Month	Billion US \$			
		End of	Billion US \$	1 Year Earlier	3 Months Earlier
United States	Jun 77	Jun 77	19.2	14.5	18.5
Japan	Aug 77	Aug 77	17.8	4.1	16.3
West Germany	Jun 77	Jun 77	35.1	8.8	33.3
France	Jun 77	Jun 77	10.2	4.4	9.6
United Kingdom	Aug 77	Aug 77	14.8	2.8	5.0
Italy	Jun 77	Jun 77	9.7	4.7	5.2
Canada	Jun 77	Jun 77	5.1	4.3	6.0

CURRENT ACCOUNT BALANCE ¹

	Latest Period	Million US \$	Cumulative (Million US \$)		
			1977	1976	Change
United States ²	77 I	-4,317	-4,317	540	-4,857
Japan	Jul 77	1,554	4,661	1,242	3,419
West Germany	Jul 77	-546	1,731	1,188	543
France	77 II	-438	-2,101	-2,052	-50
United Kingdom	77 I	-773	-773	-502	-271
Italy	77 I	-929	-929	-1,413	484
Canada	77 I	-1,624	-1,624	-1,911	287

¹ Converted to US dollars at the current market rates of exchange.

² Seasonally adjusted.

BASIC BALANCE ¹

Current and Long-Term-Capital Transactions

		Cumulative (Million US \$)			
	Latest				
	Period	Million US \$	1977	1976	Change
United States		No longer published ²			
Japan	Jul 77	1,368	3,521	1,629	1,892
West Germany	Jul 77	- 875	- 2,039	1,196	- 3,234
France	77 I	- 1,354	- 1,354	- 2,015	660
United Kingdom	76 IV	- 277	N.A.	- 4,171	N.A.
Italy	76 III	779	N.A.	1,096	N.A.
Canada	77 I	- 583	- 583	882	- 1,465

¹ Converted to US dollars at the current market rates of exchange.

² As recommended by the Advisory Committee on the Presentation of Balance of Payments Statistics, the Department of Commerce no longer publishes a basic balance.

EXCHANGE RATES

Spot Rate

As of 16 Sep 77

	US \$ Per Unit	Percent Change from			
		19 Mar 73	1 Year Earlier	3 Months Earlier	9 Sep 77
Japan (yen)	0.0037	-1.47	7.49	1.82	0
West Germany (Deutsche mark)	0.4299	21.41	6.60	1.18	-0.06
France (franc)	0.2027	-8.03	-0.76	0.10	-0.21
United Kingdom (pound sterling)	1.7425	-29.20	0.49	1.33	0
Italy (lira)	0.0011	-36.05	-4.79	0.18	0
Canada (dollar)	0.9307	-6.72	-9.31	-1.25	-0.09

TRADE-WEIGHTED EXCHANGE RATES ¹

As of 16 Sep 77

	Percent Change from			
	19 Mar 73	1 Year Earlier	3 Months Earlier	9 Sep 77
United States	6.40	2.27	0.32	0.05
Japan	4.58	10.17	2.04	0.01
West Germany	26.23	5.96	1.32	0.01
France	-7.84	-2.70	0.08	-0.18
United Kingdom	-28.97	0.85	2.11	0.06
Italy	-38.40	-6.58	0	0.07
Canada	-4.56	-9.57	-1.32	-0.08

¹ Weighting is based on each listed country's trade with 16 other industrialized countries to reflect the competitive impact of exchange rate variations among the major currencies.

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Developed Countries: Direction of Trade ¹

Million US \$

	Exports to (f.o.b.)						Imports from (c.i.f.)					
	World	Big Seven	Other OECD	OPEC ²	Communist	Other	World	Big Seven	Other OECD	OPEC ²	Communist	Other
UNITED STATES ³												
1974	98,507	45,866	15,630	6,723	3,406	26,882	100,218	49,490	9,415	15,636	1,282	24,395
1975	107,592	46,926	16,191	10,765	3,699	30,011	96,140	46,715	8,170	17,083	1,156	23,016
1976	114,997	51,298	17,612	12,567	3,936	29,584	120,677	56,626	9,058	25,017	1,445	28,531
1st Qtr	27,360	12,184	4,088	2,751	1,144	7,193	27,319	12,884	2,226	5,570	327	6,312
2d Qtr	29,695	13,383	4,496	3,113	1,088	7,615	28,367	14,332	2,242	5,582	372	5,839
3d Qtr	27,437	11,944	4,073	3,106	850	7,464	32,452	14,285	2,228	6,952	389	8,598
4th Qtr	30,505	13,787	4,955	3,597	854	7,312	32,539	15,125	2,362	6,913	357	7,782
1977												
1st Qtr	29,454	13,752	4,716	3,136	951	6,899	34,990	15,124	2,566	8,324	366	8,610
2d Qtr	31,673	14,282	4,707	3,389	816	8,479	37,907	17,059	2,578	8,673	411	9,186
JAPAN												
1974	55,610	18,591	6,862	5,450	4,367	20,340	62,074	18,755	6,219	19,970	3,684	13,446
1975	55,812	16,468	6,091	8,423	5,283	19,547	57,853	16,917	6,083	19,404	3,382	12,067
1976	67,364	22,406	8,588	9,278	5,049	22,043	64,895	17,534	7,777	21,877	2,926	14,781
1st Qtr	14,429	4,848	1,827	1,872	1,289	4,593	14,832	4,083	1,696	5,213	671	3,169
2d Qtr	16,431	5,402	2,092	2,271	1,348	5,318	15,903	4,347	1,948	5,400	667	3,541
3d Qtr	17,542	5,897	2,272	2,476	1,135	5,762	16,818	4,497	2,137	5,406	747	4,031
4th Qtr	18,962	6,259	2,397	2,659	1,277	6,370	17,342	4,607	1,996	5,858	841	4,040
1977												
1st Qtr	17,911	5,848	2,449	2,459	1,409	5,746	17,452	4,717	1,845	6,246	801	3,843
Apr & May	13,017	4,404	1,611	1,823	875	4,304	11,988	3,195	1,380	3,925	575	2,913
WEST GERMANY												
1974	89,365	30,820	36,431	4,066	9,473	8,575	69,659	23,878	25,504	9,211	5,153	5,913
1975	90,181	28,331	36,406	6,776	10,629	8,039	74,986	27,085	27,761	8,239	5,526	6,375
1976	101,980	33,443	41,811	8,245	10,310	8,171	88,211	31,281	32,632	9,720	6,718	7,860
1st Qtr	23,467	7,918	9,519	1,710	2,430	1,890	20,147	7,130	7,577	2,189	1,502	1,749
2d Qtr	24,570	8,215	10,110	1,838	2,421	1,986	21,571	7,704	8,133	2,223	1,625	1,886
3d Qtr	25,147	8,003	10,272	2,235	2,510	2,127	21,791	7,565	7,894	2,575	1,699	2,058
4th Qtr	28,796	9,307	11,910	2,462	2,949	2,168	24,701	8,883	9,028	2,732	1,891	2,167
1977												
1st Qtr	27,804	9,281	11,609	2,307	2,156	2,451	24,084	8,465	8,828	2,578	1,270	2,943
Apr	9,230	3,058	3,849	799	694	830	7,991	2,892	2,949	756	428	966
FRANCE												
1974	45,914	19,361	14,854	3,017	2,265	6,417	52,874	22,062	13,620	10,117	1,714	5,361
1975	52,189	19,960	15,454	4,909	3,477	8,389	54,238	23,039	14,350	9,665	2,065	5,119
1976	55,680	22,438	16,081	5,067	3,558	8,536	64,256	27,750	16,894	11,336	2,384	5,892
1st Qtr	13,639	5,524	3,921	1,240	917	2,037	15,529	6,567	4,157	2,818	595	1,392
2d Qtr	14,769	5,911	4,395	1,221	1,059	2,183	16,187	7,149	4,324	2,610	593	1,511
3d Qtr	12,409	4,922	3,446	1,280	729	2,032	14,841	6,431	3,733	2,723	577	1,377
4th Qtr	14,863	6,081	4,319	1,326	853	2,284	17,699	7,603	4,680	3,185	619	1,612
1977												
1st Qtr	15,323	6,250	4,540	1,392	847	2,294	17,885	7,494	4,840	3,056	600	1,895
Apr	5,232	2,193	1,569	460	288	722	5,788	2,499	1,543	879	194	673
UNITED KINGDOM												
1974	38,615	11,704	15,544	2,554	1,458	7,355	54,107	18,158	17,968	8,695	1,870	7,416
1975	43,751	12,399	16,310	4,535	1,768	8,739	53,260	18,387	18,370	6,912	1,726	7,865
1976	46,312	14,016	17,492	5,133	1,619	8,052	56,029	19,653	18,732	7,292	2,143	8,209
1st Qtr	11,637	3,415	4,362	1,238	433	2,189	13,641	4,704	4,597	1,824	510	2,006
2d Qtr	11,553	3,532	4,307	1,259	420	2,035	14,052	5,041	4,547	1,738	579	2,147
3d Qtr	11,058	3,430	4,100	1,262	386	1,880	13,787	4,744	4,547	1,893	528	2,075
4th Qtr	12,064	3,639	4,723	1,374	380	1,948	14,549	5,164	5,041	1,837	526	1,981
1977												
1st Qtr	13,150	4,008	5,145	1,521	413	2,063	15,575	5,786	5,068	1,783	514	2,424
2d Qtr	14,375	4,195	5,700	1,687	530	2,263	16,623	6,009	5,718	1,702	602	2,592

Developed Countries: Direction of Trade ¹
(Continued)

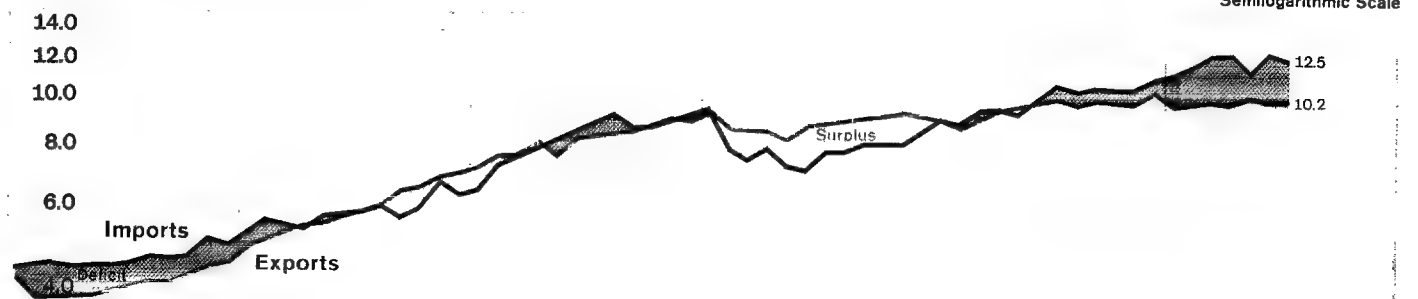
Million US \$

	Exports to (f.o.b.)						Imports from (c.i.f.)					
	World	Big Seven	Other OECD	OPEC ²	Com-munist	Other	World	Big Seven	Other OECD	OPEC ²	Com-munist	Other
ITALY												
1974	30,252	13,894	7,135	2,238	2,701	4,284	40,682	17,949	6,394	9,384	2,513	4,442
1975	34,825	15,626	7,519	3,718	3,228	4,734	37,928	17,284	6,189	7,854	2,431	4,170
1976	35,364	16,698	8,276	4,027	2,592	3,771	41,789	18,585	7,755	7,831	3,000	4,618
1st Qtr	7,398	3,513	1,713	756	597	819	9,092	4,063	1,708	1,689	608	1,024
2d Qtr	8,705	4,157	2,040	951	623	934	10,716	4,786	1,918	2,092	744	1,176
3d Qtr	9,398	4,505	2,191	1,057	657	988	10,335	4,497	1,860	2,035	792	1,151
4th Qtr	9,863	4,523	2,332	1,263	715	1,030	11,646	5,239	2,269	2,015	856	1,267
1977												
1st Qtr	9,668	4,520	2,264	1,236	655	993	11,299	4,964	2,130	2,166	720	1,319
Apr & May	7,480	3,435	1,719	981	540	805	8,523	3,829	1,561	1,605	523	1,005
CANADA ⁴												
1974	32,390	26,827	1,970	626	851	2,116	32,408	25,965	1,508	2,613	343	1,979
1975	31,778	25,885	1,753	827	1,255	2,058	34,050	27,181	1,579	3,126	311	1,853
1976	37,746	31,415	2,048	930	1,270	2,083	37,922	30,383	1,661	3,171	363	2,344
1st Qtr	8,539	7,197	424	167	334	417	9,159	7,331	367	843	85	533
2d Qtr	10,015	8,441	496	183	345	550	10,290	8,175	421	954	95	645
3d Qtr	9,216	7,486	568	271	354	537	8,834	6,965	433	716	91	629
4th Qtr	9,976	8,291	560	309	237	579	9,639	7,912	440	658	92	537
1977												
1st Qtr	9,672	8,201	524	248	231	468	9,640	7,850	391	742	87	570
2d Qtr	10,740	9,055	540	278	292	575	10,841	9,007	430	677	96	631

¹ Data are unadjusted. Because of rounding, components may not add to the totals shown.² Including Gabon.³ Import data are f.o.b.⁴ Import data are f.o.b.

FOREIGN TRADE BILLION US \$, f.o.b., seasonally adjusted

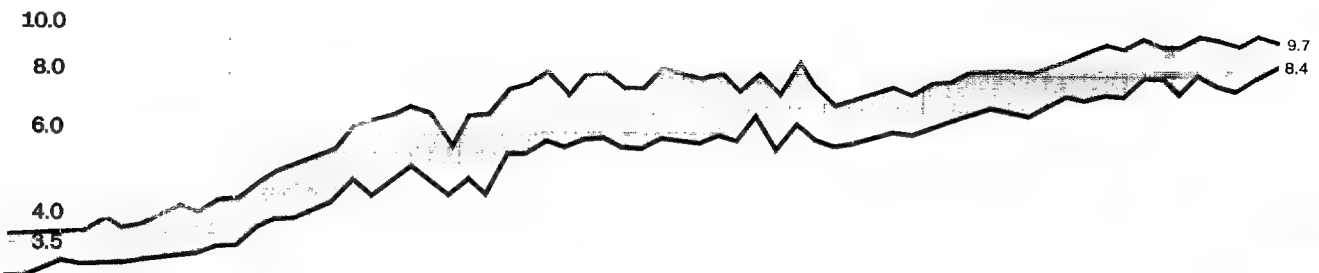
United States



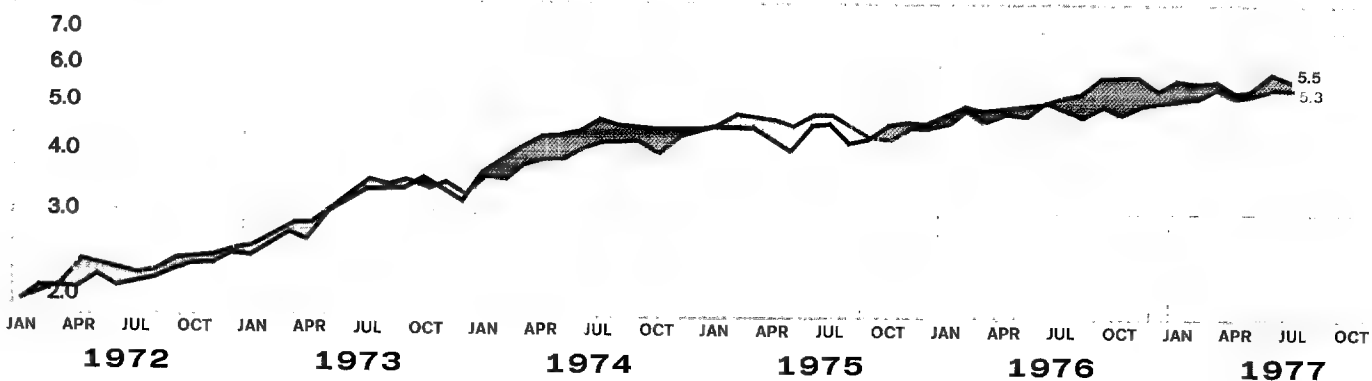
Japan



West Germany

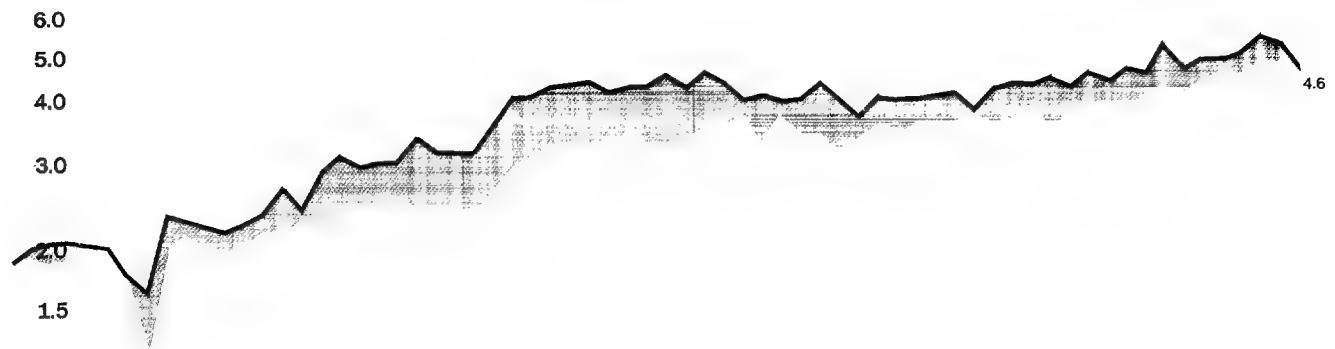
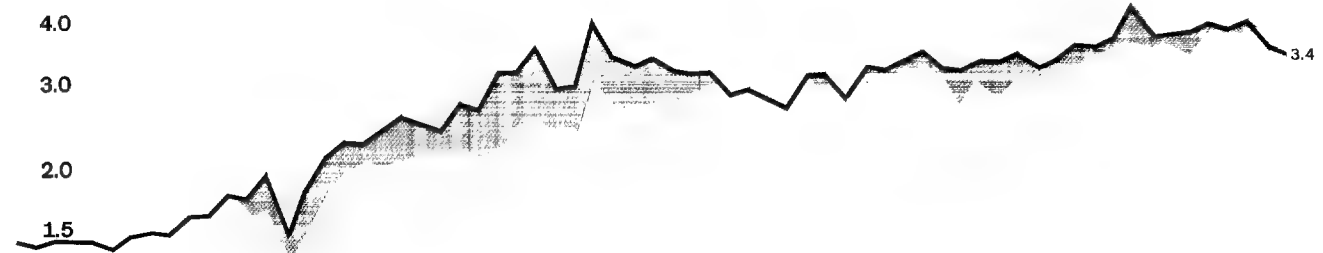
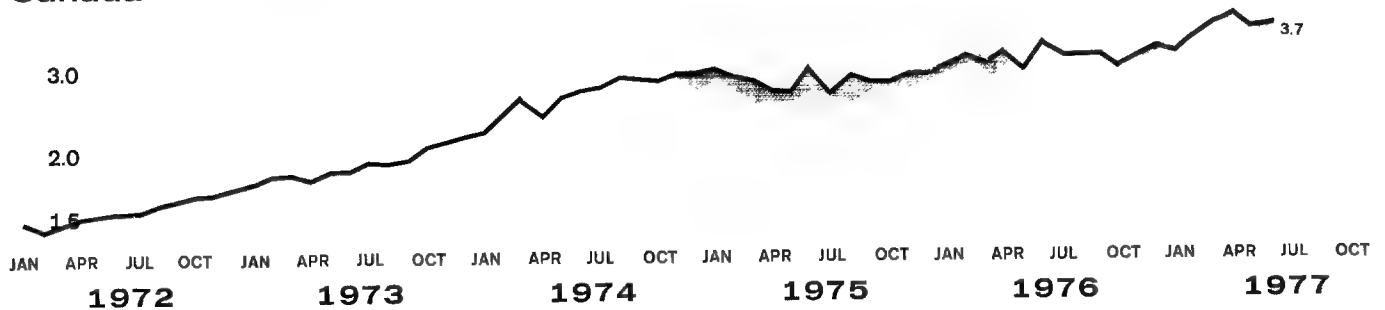


France



United Kingdom

Semilogarithmic Scale

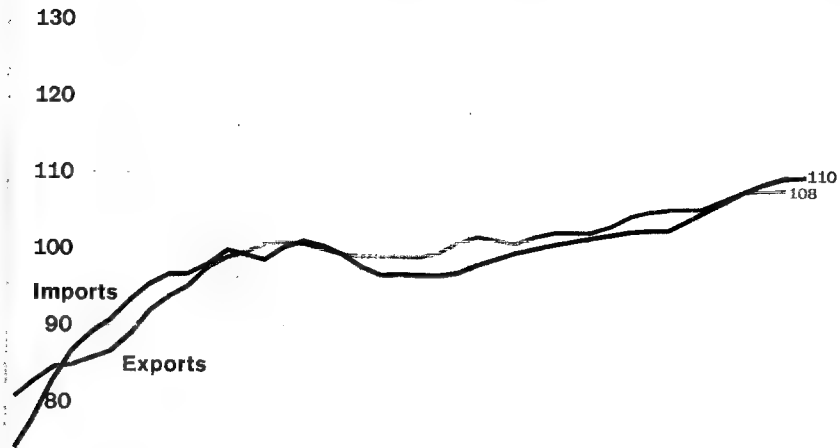
**Italy****Canada**

	LATEST MONTH	MILLION US \$	CUMULATIVE (MILLION US \$)				LATEST MONTH	MILLION US \$	CUMULATIVE (MILLION US \$)		
			1977	1976	CHANGE				1977	1976	CHANGE
United States	JUL 77	12,476	85,019	67,199	26.5%	United Kingdom	AUG 77	4,579	39,260	33,044	18.8%
	Balance	-2,326	-14,914	-1,553	-13,361		Balance	245	-3,196	-4,236	1,041
Japan	JUL 77	4,950	35,179	30,759	14.4%	Italy	JUL 77	3,365	25,581	22,305	14.7%
	Balance	1,701	10,289	6,411	3,878		Balance	206	-388	-2,078	1,691
West Germany	JUL 77	8,384	54,989	46,344	18.7%	Canada	JUN 77	3,703	21,728	18,940	14.7%
	Balance	1,273	11,328	9,938	1,390		Balance	16	747	-186	912
France	JUL 77	5,480	38,287	33,873	13.0%						
	Balance	-158	-1,826	-1,052	-775						

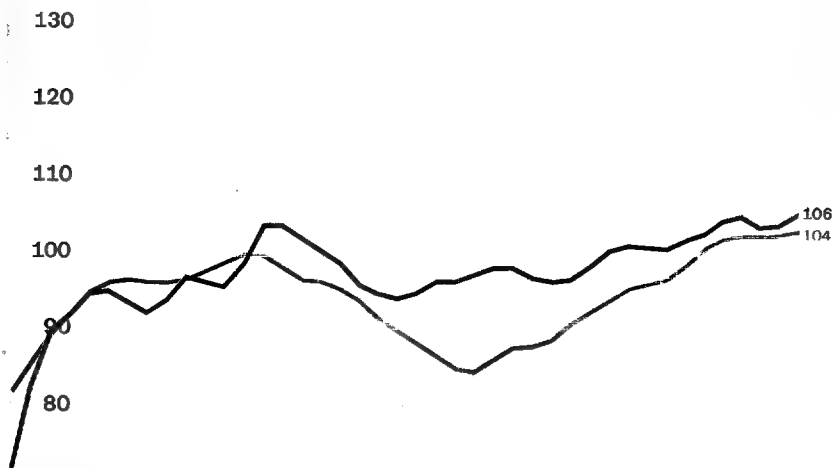
574059 9-77

United States

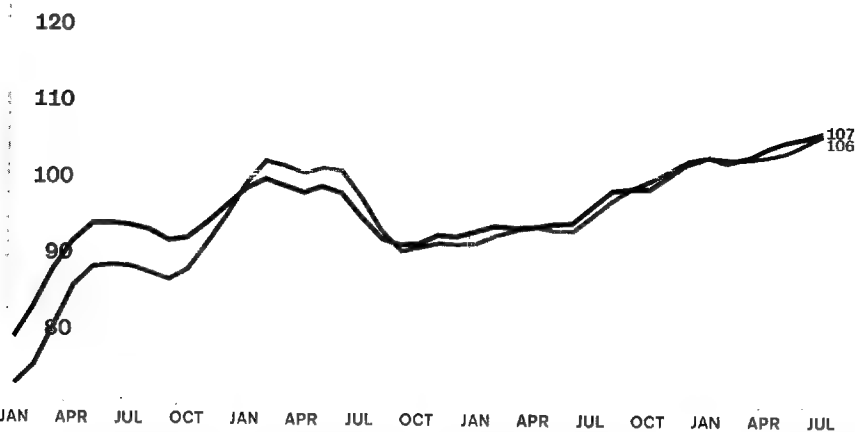
INDEX: JAN 1975 = 100



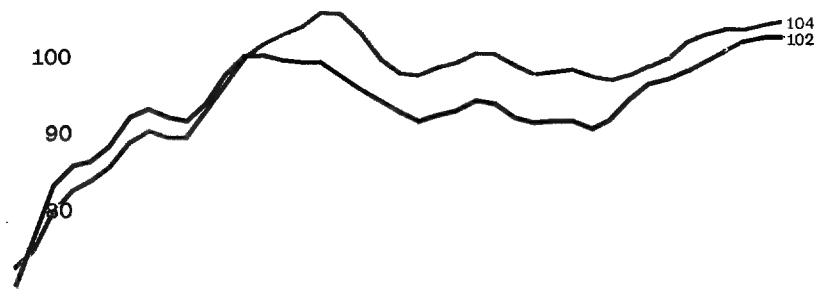
Japan



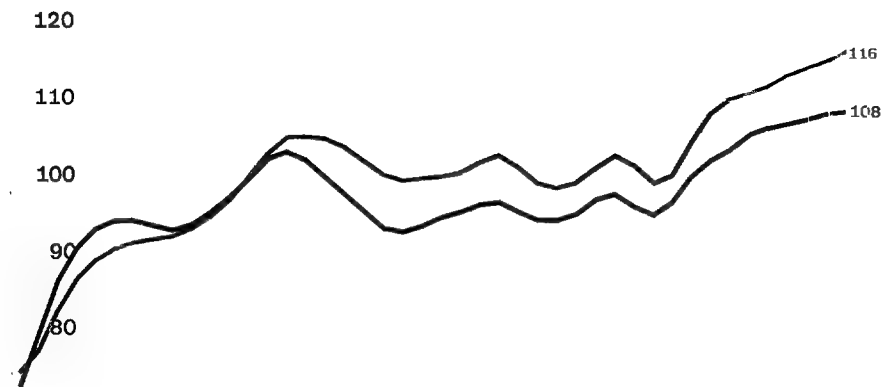
West Germany



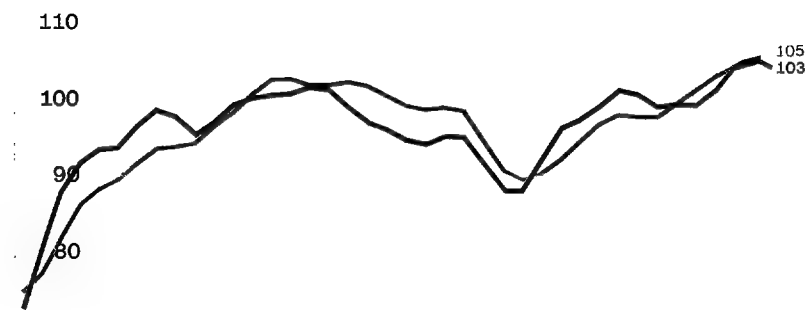
France



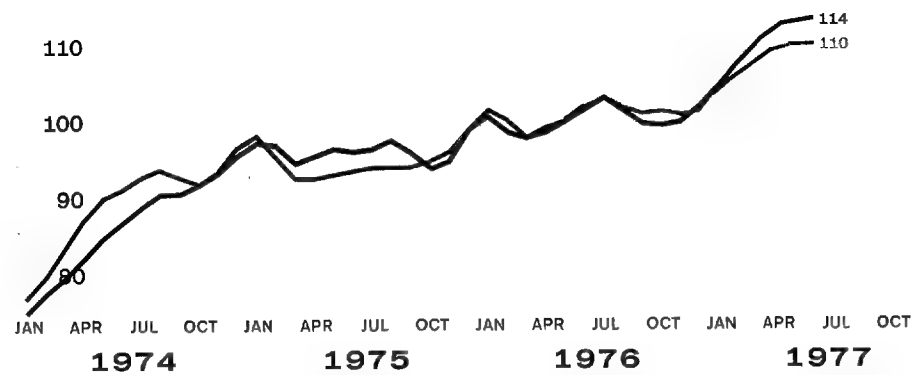
United Kingdom



Italy



Canada



INDUSTRIAL PRODUCTION ¹

	Latest Period	Percent Change from Previous Period	Average Annual Growth Rate Since		
			1970	1 Year	
				Earlier	3 Months Earlier ²
Brazil	76 II	0.1	11.0	10.7	0.4
India	Feb 77	3.5	5.5	6.9	18.7
South Korea	Jun 77	8.3	22.7	14.3	21.6
Mexico	Apr 77	0.6	5.6	0.4	17.5
Nigeria	76 IV	0.2	11.3	9.0	0.7
Taiwan	Apr 77	1.9	14.9	12.7	-8.4

¹ Seasonally adjusted.

² Average for latest 3 months compared with average for previous 3 months.

MONEY SUPPLY ¹

	Latest Month	Percent Change from Previous Month	Average Annual Growth Rate Since	
			1970	1 Year Earlier
Brazil	Jan 77	-3.1	35.5	28.2
Egypt	Apr 77	1.2	18.6	23.0
India	Mar 77	1.8	12.3	20.5
Iran	Mar 77	14.5	30.4	52.2
South Korea	May 77	3.4	31.3	35.0
Mexico	Jun 76	-0.3	17.0	16.6
Nigeria	Feb 77	5.9	35.9	54.8
Taiwan	Mar 77	-0.2	24.4	21.2
Thailand	May 77	1.5	13.5	13.0

¹ Seasonally adjusted.

CONSUMER PRICES

	Latest Month	Percent Change from Previous Month	Average Annual Growth Rate Since	
			1970	1 Year Earlier
Brazil	Apr 77	3.3	26.6	44.4
India	Mar 77	0.6	8.2	9.1
Iran	May 77	2.6	12.4	29.3
South Korea	Jun 77	1.0	14.6	10.1
Mexico	Jun 77	1.2	14.7	32.5
Nigeria	Feb 77	-1.7	14.5	8.2
Taiwan	May 77	0.4	10.4	3.0
Thailand	Jun 77	0.7	8.7	8.5

WHOLESALE PRICES

	Latest Month	Percent Change from Previous Month	Average Annual Growth Rate Since	
			1970	1 Year Earlier
Brazil	Apr 77	4.3	27.3	45.9
India	Mar 77	0.2	9.3	11.9
Iran	May 77	1.8	11.0	22.2
South Korea	Jun 77	0.8	16.6	9.1
Mexico	Jun 77	1.0	16.5	50.9
Taiwan	May 77	0	9.2	4.4
Thailand	May 77	1.2	10.1	5.9

EXPORT PRICES

US \$

	Latest Period	Percent Change from Previous Period	Average Annual Growth Rate Since		
			1970	1 Year	
				Earlier	3 Months Earlier
Brazil	Oct 76	-0.4	14.5	26.5	17.0
India	Sep 76	-3.8	9.2	6.4	-6.6
Iran	May 77	0	36.5	18.6	0
South Korea	77 I	1.7	8.8	11.9	6.9
Nigeria	May 76	-0.1	33.2	8.2	6.6
Taiwan	May 77	0.4	12.3	9.4	14.7
Thailand	Dec 76	2.0	13.3	13.1	77.7

OFFICIAL RESERVES

Million US \$

	Latest Month		Million US \$		
	End of	Million US \$	Jun 1970	1 Year	
				Earlier	3 Months Earlier
Brazil	Feb 77	5,873	1,013	3,667	5,139
Egypt	Apr 77	405	155	375	389
India	May 77	4,431	1,006	2,258	3,481
Iran	Jun 77	11,025	208	8,621	10,355
South Korea	May 77	3,519	602	1,911	2,872
Mexico	Mar 76	1,501	695	1,479	1,533
Nigeria	May 77	4,740	148	6,087	4,937
Taiwan	Apr 77	1,289	531	1,146	1,581
Thailand	Jul 77	2,017	978	1,929	2,006

FOREIGN TRADE, f.o.b.

			Latest 3 Months Percent Change from		Cumulative (Million US \$)		
			3 Months	1 Year	1977	1976	Change
	Latest Period		Earlier ¹	Earlier			
Brazil	Apr 77	Exports	-1.2	38.6	13,904	11,244	23.7%
	Apr 77	Imports	-11.5	-1.1	16,077	16,064	0.1%
	Apr 77	Balance			-2,173	-4,821	2,648
Egypt	76 IV	Exports	-97.9	-47.8	NA	NA	NA
	76 IV	Imports	-93.5	-54.7	NA	NA	NA
	76 IV	Balance			NA	NA	NA
India	Mar 77	Exports	77.7	11.2	6,496	5,612	15.7%
	Mar 77	Imports	-18.2	3.2	5,650	6,595	-14.3%
	Mar 77	Balance			845	-982	1,828
Iran	May 77	Exports	32.1	14.4	34,022	28,883	17.8%
	Mar 77	Imports	135.4	9.1	15,148	12,200	24.2%
	Mar 77	Balance			14,710	12,956	1,754
South Korea	May 77	Exports	60.8	29.6	11,347	7,632	48.7%
	May 77	Imports	106.6	27.4	11,661	9,562	21.9%
	May 77	Balance			-313	-1,931	1,617
Mexico	May 77	Exports	25.9	28.9	5,071	4,240	19.6%
	May 77	Imports	-33.8	-23.1	7,665	8,728	-12.2%
	May 77	Balance			-2,594	-4,488	1,894
Nigeria	Apr 77	Exports	-25.0	5.2	13,706	11,320	21.1%
	Dec 76	Imports	83.0	6.6	NA	NA	NA
	Dec 76	Balance			NA	NA	NA
Taiwan	May 77	Exports	128.9	20.6	12,325	8,953	37.7%
	May 77	Imports	122.4	21.3	10,766	8,750	23.0%
	May 77	Balance			1,559	203	1,356
Thailand	Jan 77	Exports	34.3	22.9	4,206	3,172	32.6%
	Mar 77	Imports	30.1	22.7	4,205	3,748	12.2%
	Jan 77	Balance			-301	-812	511

¹ At annual rates.

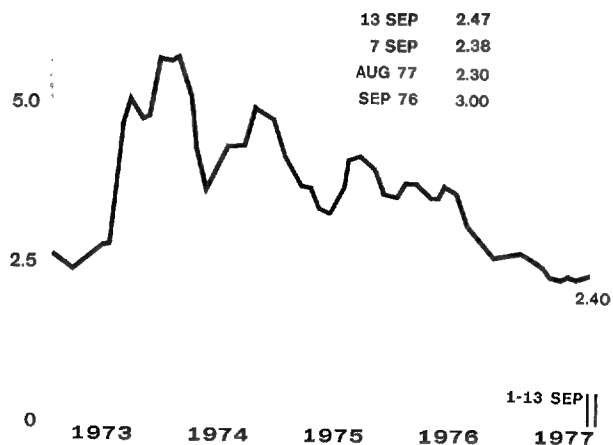
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AGRICULTURAL PRICES MONTHLY AVERAGE CASH PRICE**WHEAT**

\$ PER BUSHEL

\$ PER METRIC TON

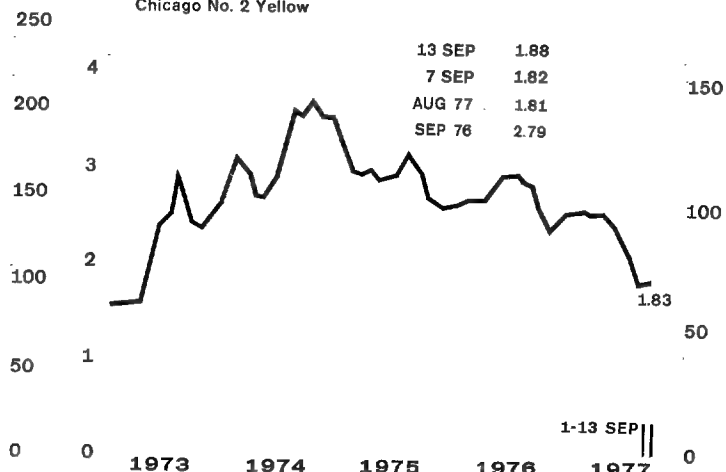
Kansas City No. 2 Hard Winter

**CORN**

\$ PER BUSHEL

\$ PER METRIC TON

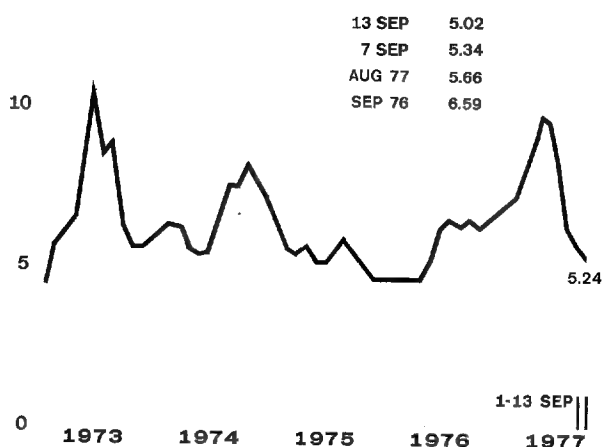
Chicago No. 2 Yellow

**SOYBEANS**

\$ PER BUSHEL

\$ PER METRIC TON

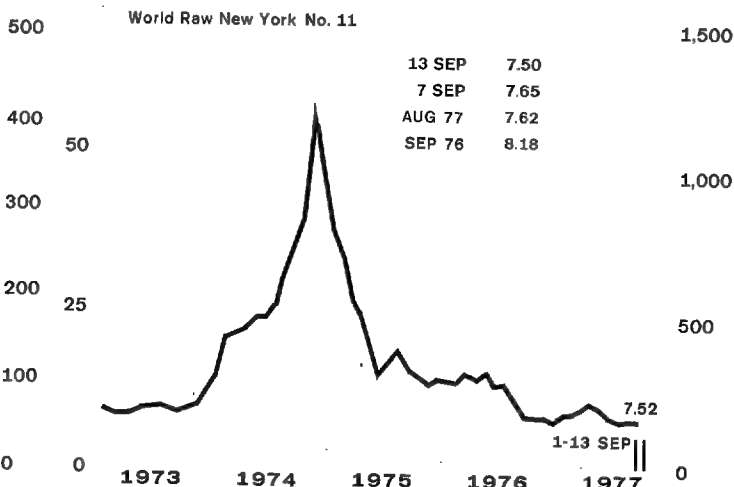
Chicago No. 1 Yellow

**SUGAR**

¢ PER POUND

\$ PER METRIC TON

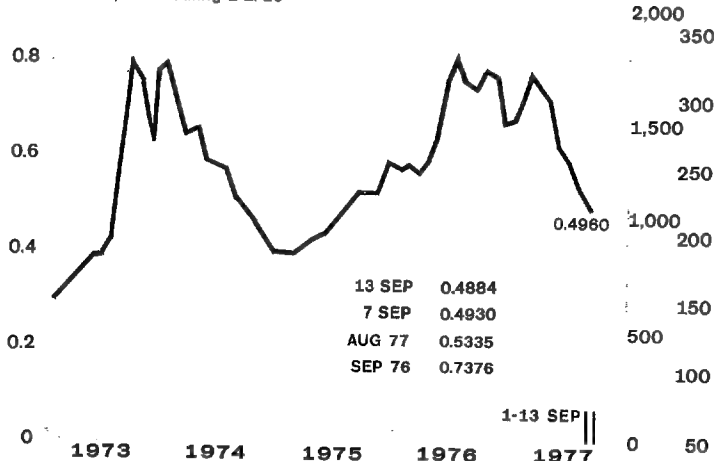
World Raw New York No. 11

**COTTON**

\$ PER POUND

\$ PER METRIC TON

Memphis Middling 1 1/16"

**COFFEE/TEA**

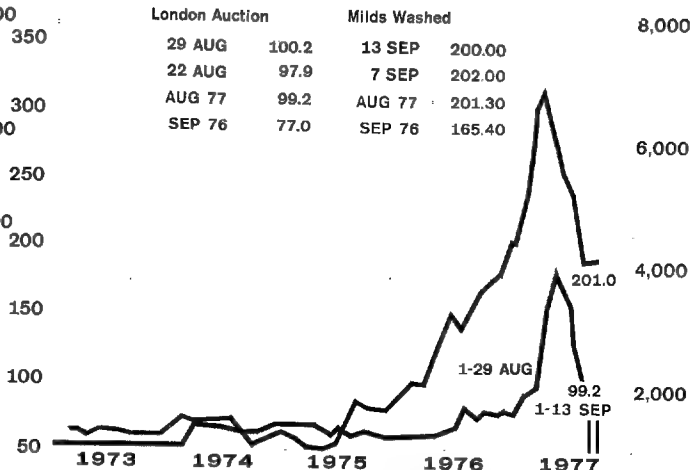
¢ PER POUND

\$ PER METRIC TON

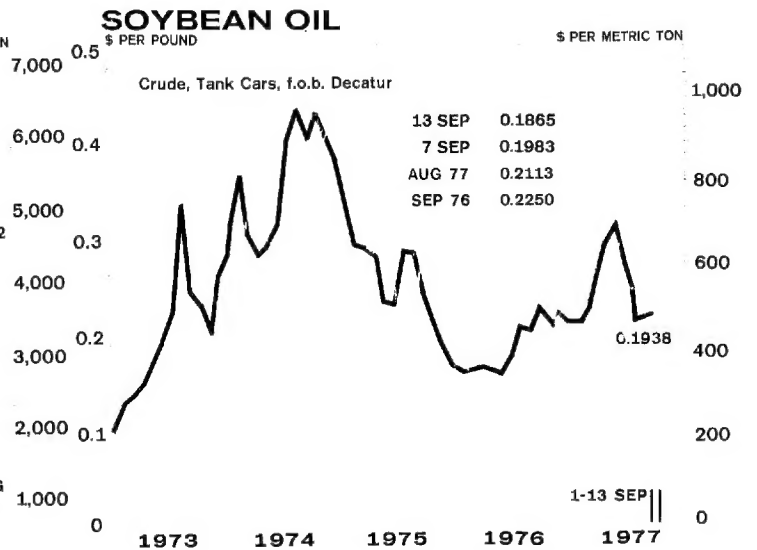
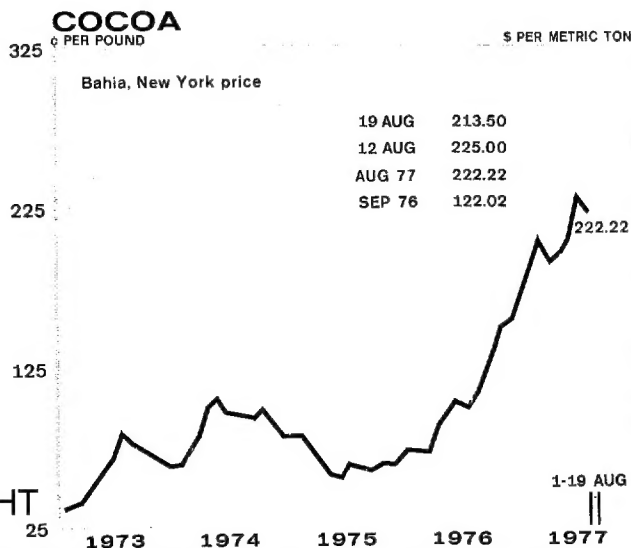
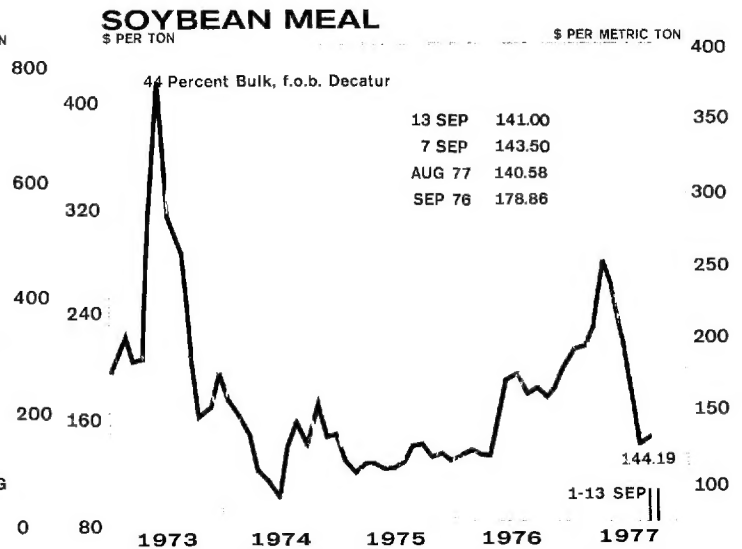
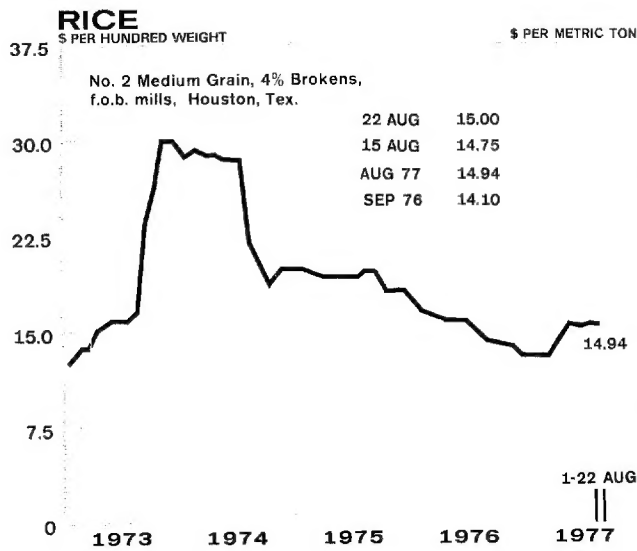
TEA
London AuctionCOFFEE
Milds Washed

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22 AUG	97.9
AUG 77	99.2
SEP 76	77.0

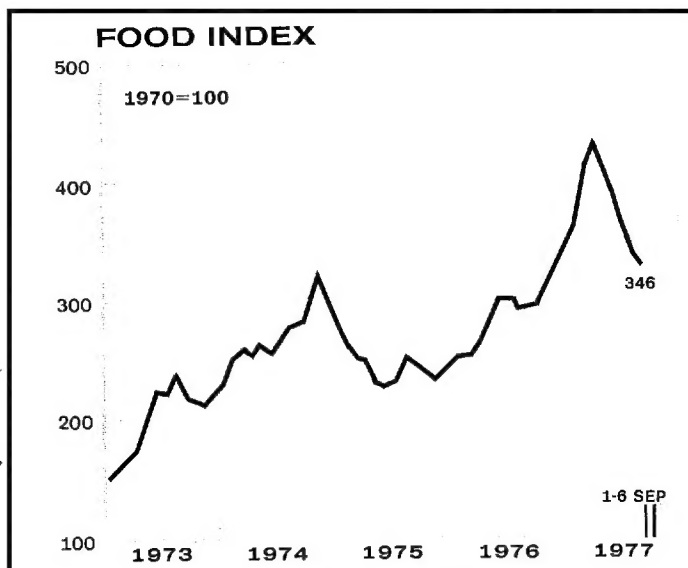
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SEP 76	165.40



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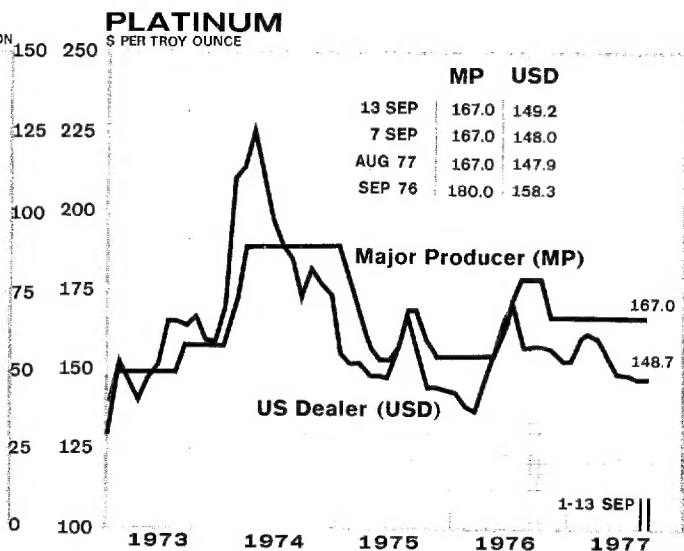
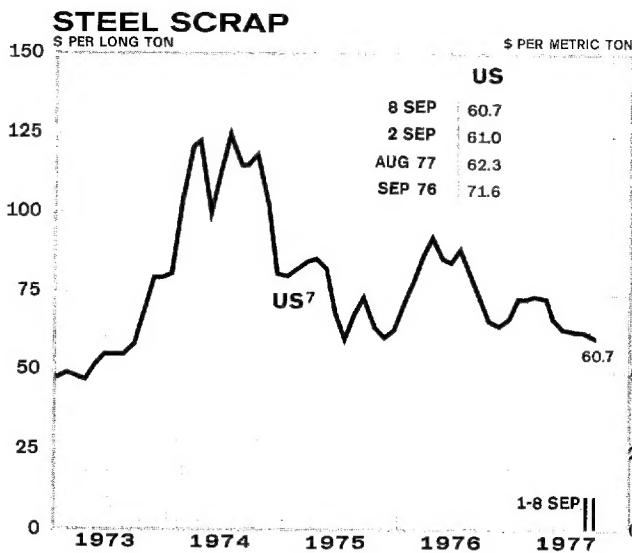
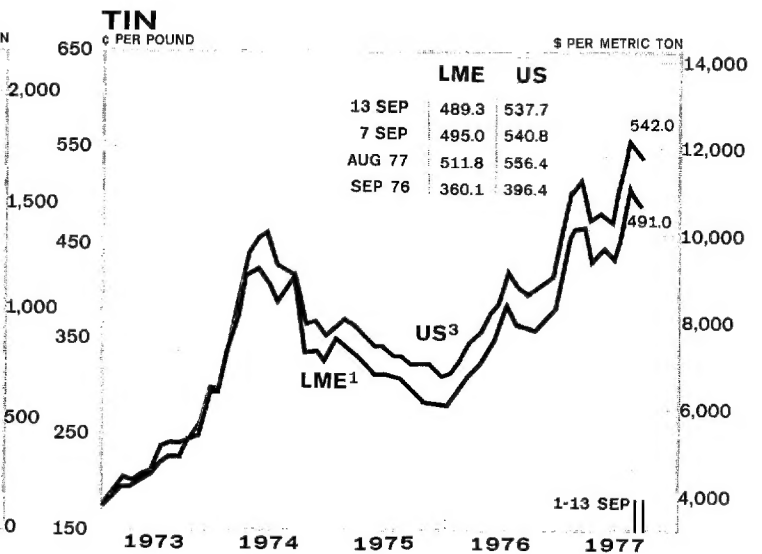
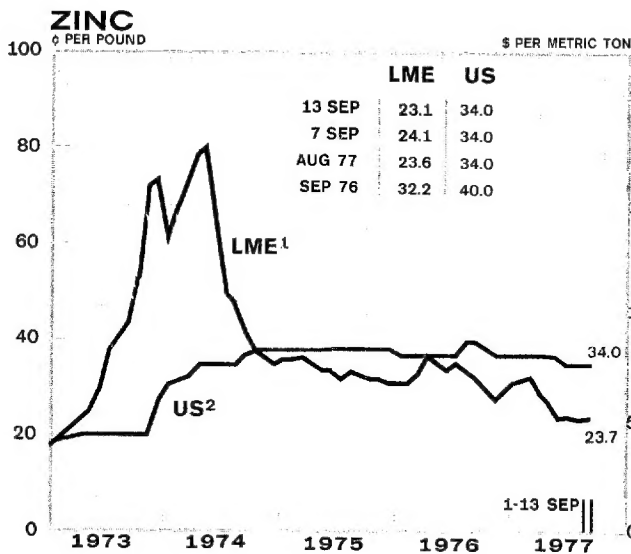
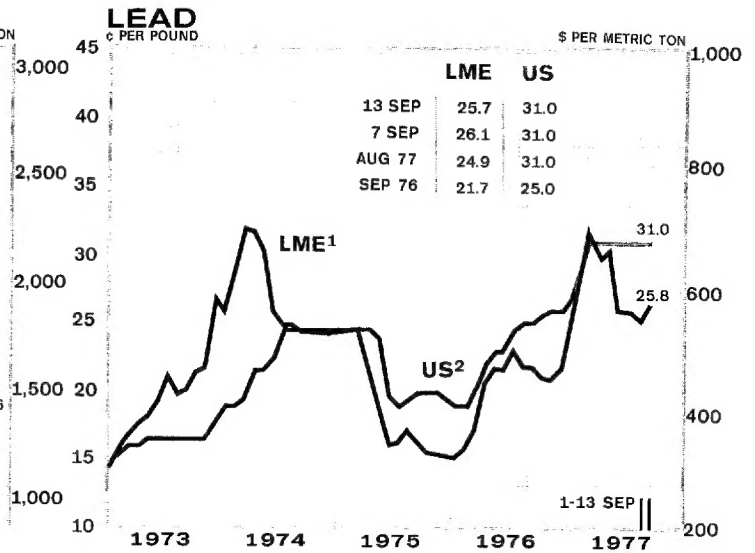
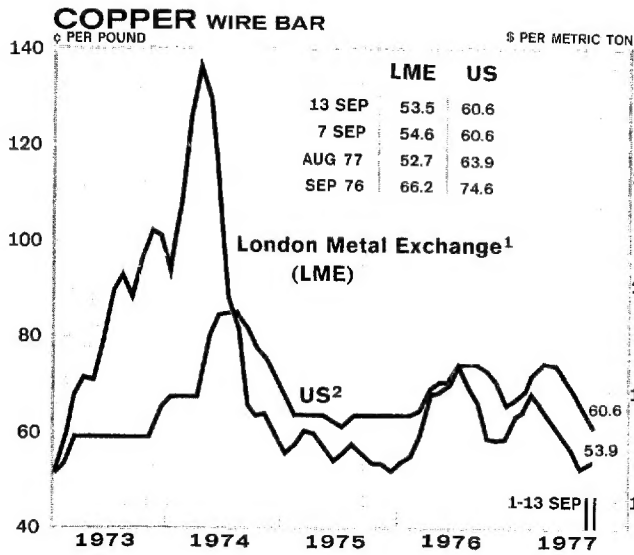
CPYRGHT



NOTE: The food index is compiled by the Economist for 16 food commodities which enter international trade. Commodities are weighted by 3-year moving averages of imports into industrialized countries.

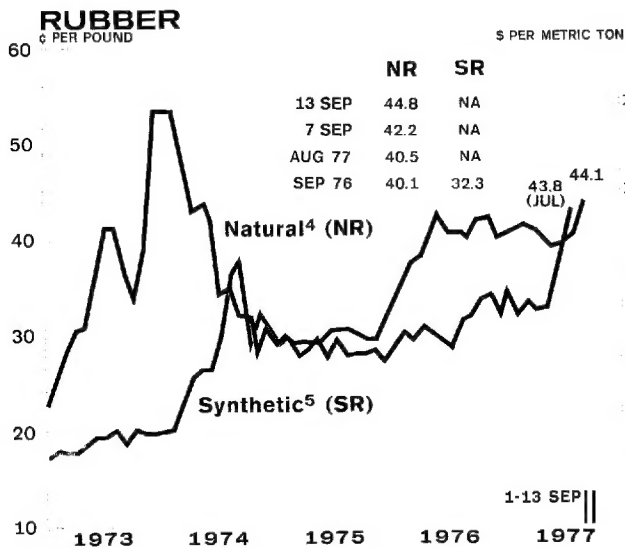
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INDUSTRIAL MATERIALS PRICES MONTHLY AVERAGE CASH PRICE

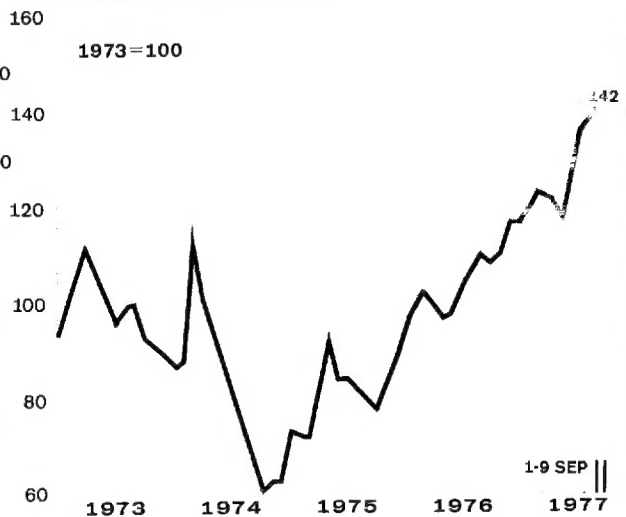


SELECTED MATERIALS

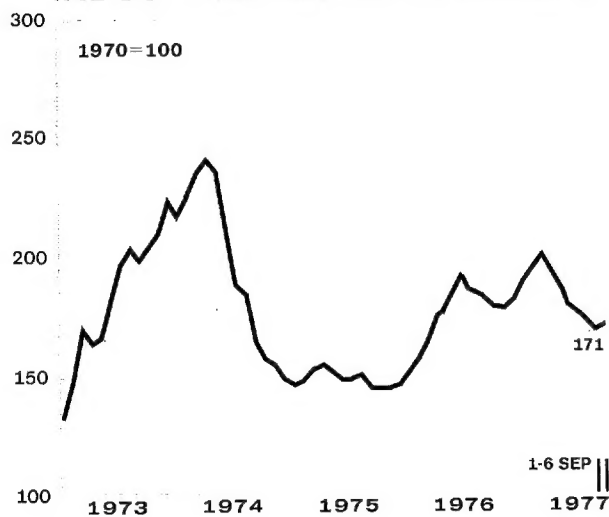
			CURRENT	MAR 77	SEP 76	SEP 75
ALUMINUM	Major US Producer	¢ per pound	53.00	49.17	48.00	41.00
US STEEL	Composite	\$ per long ton	359.36	339.27	327.00	290.33
IRON ORE	Non-Bessemer Old Range	\$ per long ton	21.43	21.43	20.51	18.75
CHROME ORE	Russian, Metallurgical Grade	\$ per metric ton	150.00	150.00	150.00	150.00
CHROME ORE	S. Africa, Chemical Grade	\$ per long ton	58.50	58.50	42.00	44.50
FERROCHROME	US Producer, 66-70 Percent	¢ per pound	41.00	43.00	44.00	53.50
NICKEL	Composite US Producer	\$ per pound	2.16	2.41	2.24	2.20
MANGANESE ORE	48 Percent Mn	\$ per long ton	72.00	72.00	72.00	67.20
TUNGSTEN ORE	65 Percent WO ₃	\$ per short ton	9169.22	10,534.69	7,502.70	5,241.58
MERCURY	NY	\$ per 76 pound flask	115.00	173.20	116.90	138.10
SILVER	LME Cash	¢ per troy ounce	449.49	486.01	428.96	449.50
GOLD	London Afternoon Fixing Price	\$ per troy ounce	147.55	148.23	114.14	144.09



LUMBER INDEX⁶



INDUSTRIAL MATERIALS INDEX



¹Approximates world market price frequently used by major world producers and traders, although only small quantities of these metals are actually traded on the LME.

²Producers' price, covers most primary metals sold in the US.

³As of 1 Dec 75, US tin price quoted is "Tin NY 1b composite."

⁴Quoted on New York market.

⁵S-type styrene, US export price.

⁶This index is compiled by using the average of 13 types of lumber whose prices are regarded as "bell wethers" of US lumber construction costs.

⁷Composite price for Chicago, Philadelphia, and Pittsburgh.

NOTE: The industrial materials index is compiled by the Economist for 19 raw materials which enter international trade. Commodities are weighted by 3-year moving averages of imports into industrialized countries.

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Next 50 Page(s) In Document Exempt

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